

Audit and Governance Committee

Agenda

Notice is hereby given pursuant to the provisions of the Local Government Act, 1999, that a meeting of the Audit and Governance Committee will be held in the Civic Room 1st Floor, 181 Unley Road Unley on

Monday 29 October 2018 7.30pm

for the purpose of considering the items included on the Agenda.



Peter Tsokas
Chief Executive Officer

AUDIT AND GOVERNANCE COMMITTEE

**Monday 29 October 2018 – 7.30pm
Room Civic 1st Floor**

AGENDA

MEMBERS:

Mr John Rawson (Presiding Member)
Mr Ed Parker (Independent Member)
Mr Sean Tu (Independent Member)
Councillor Michael Rabbitt
Councillor Rob Sangster

APOLOGIES

ITEM 93

CONFLICT OF INTEREST

1.

ITEM 94

CONFIRMATION OF MINUTES

2.

That the minutes of the Audit and Governance Committee meeting, held on Tuesday 21 August 2018, as printed and circulated be taken as read and signed as a correct record.

OFFICER'S REPORTS

- 95 Internal Audit – Use of Purchase Cards
- 96 2017-18 Financial Statements

MOTIONS WITHOUT NOTICE

CORRESPONDENCE

Nil

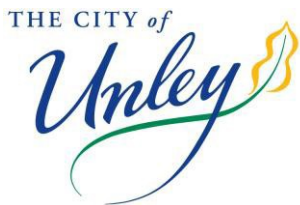
NEXT MEETING DATE

22 November 2018 – Auditor Presentations in response to the tender for External Audit. (closed to the public)

CONFLICT OF INTEREST

TITLE:	CONFLICT OF INTEREST
ITEM NUMBER:	93
DATE OF MEETING:	29 October 2018
ATTACHMENT:	1. CONFLICT OF INTEREST DISCLOSURE FORM

Members to advise if they have any material, actual or perceived conflict of interest in any Items in this Agenda.



CONFLICT OF INTEREST DISCLOSURE FORM

I, _____ have received a
[insert name]

copy of the agenda for the (Ordinary / Special) **Council / Committee / Board**
[delete that which is not applicable]

meeting to be held on _____
[insert date]

I consider that I have a ***material** conflict of interest pursuant to section 73 / ***actual** or ***perceived** conflict of interest pursuant to section 74 *[*delete that which is not applicable]* of the *Local Government Act 1999* ("the LG Act") in relation to the following agenda item:

[insert details]

which is to be discussed by the ***Council / *Committee / *Board** at that meeting.
[delete that which is not applicable]

The nature of my **material** conflict of interest is as follows *[ensure sufficient detail is recorded, including the reasons why you (or a person prescribed in section 73(1) of the LG Act) stands to obtain a benefit or suffer a loss depending on the outcome of the consideration of the matter at the meeting of the Council in relation to the agenda item described above].*

OR

The nature of my **actual** conflict of interest is as follows *[ensure sufficient detail is recorded, including the reasons why the conflict between your interests and the public interest might lead to a decision that is contrary to the public interest in relation to the agenda item described above].*

I intend to deal with my **actual** conflict of interest in the follow transparent and accountable way *[ensure sufficient detail is recorded as to the manner in which you intend to deal with the actual conflict of interest in a transparent and accountable way]*

OR

The nature of my **perceived** conflict of interest is as follows *[ensure sufficient detail is recorded, including the reasons why you consider that an impartial fair-minded person could reasonably consider that you have a perceived conflict of interest in the matter]*

I intend to deal with the **perceived** conflict of interest in the following transparent and accountable way *[ensure sufficient detail is recorded as to the manner in which you intend to deal with the perceived conflict of interest in a transparent and accountable way]*

Signature

Date

CONFIRMATION OF MINUTES

TITLE: CONFIRMATION OF MINUTES FOR AUDIT AND
GOVERNANCE COMMITTEE MEETING HELD
ON 21 AUGUST 2018

ITEM NUMBER: 94

DATE OF MEETING: 29 OCTOBER 2018

ATTACHMENTS: NIL

RECOMMENDATION

That:

1. The minutes of the Audit and Governance Committee Meeting held on Tuesday 21 August 2018, as printed and circulated, be taken as read and signed as a correct record.
-

DECISION REPORT

REPORT TITLE: INTERNAL AUDIT – USE OF PURCHASE CARDS
ITEM NUMBER: 95
DATE OF MEETING: 29 OCTOBER 2018
AUTHOR: SARAH TAYLOR
JOB TITLE: MANAGER FINANCE AND PROCUREMENT

1. **EXECUTIVE SUMMARY**

The purpose of this report is to present to the Audit and Governance Committee the internal audit report for the use of purchase cards, and to provide an Action Plan for noting.

Corporate purchase cards provide Council with a convenient, flexible and low cost procurement option, particularly for low value transactions.

The objective of the internal audit was to assess whether management and control of the use of purchase cards existed and their use was in accordance with those controls.

The internal audit found no evidence of serious or systemic misuse of public funds or fraud. Nevertheless, the findings provide opportunities for improvement in the use, management and reporting of purchase cards.

An Action Plan has been prepared based on the 13 recommendations contained within the report. 8 of the 13 recommendations have been implemented and a further 2 have commenced. (*Attachment 1 to Item 95/18*)

Galpins, a local South Australian business was engaged to independently review and ensure the scope, findings and recommendations of the internal audit were appropriate. An independent review letter is provided for Members' information. (*Attachment 2 to Item 95/18*)

2. **RECOMMENDATION**

That:

1. The report be received.
 2. The Audit and Governance Committee note the Action Plan contained in Attachment 1 to Item 95/18 and that progress against actions will be monitored by the Principal Risk Management Officer.
-

3. **DISCUSSION**

An internal review of the use of purchase cards commenced in April 2018. Galpins was engaged to independently confirm that the scope, findings and recommendations of the audit were appropriate, based on the evidence presented.

The scope of the audit covered all 33 credit cards and their utilisation between July 2016 and February 2018.

Review findings confirm the use of credit cards is a low cost and efficient procurement option for low value, low risk purchases and considerably more transparent than petty cash.

Galpins concluded that in all material respects the scope, fieldwork and findings of the internal audit were appropriate, and that the evidence collected was adequate to support conclusions and the recommendations for future management of corporate purchase cards (*Attachment 2 to Item 95/18*).

Attachment 2

The internal audit found no evidence of serious or systemic misuse of public funds or fraud.

The internal review report makes 13 recommendations for improvement. These include but are not limited to the following actions;

- Update policies that govern spending across the organisation and ensure that they are available on the intranet for easy access by all employees.
- Implement an online expense management system to improve the collection and storage of documentation (photo of tax invoice/receipt), and monitoring of purchase card transactions.
- Liaise with the financial institution to establish lower credit limits where appropriate and provide guidance on setting transaction limits in line with the financial delegation register
- Seek an alternative colour scheme for the purchase cards to reduce confusion with cardholder's own personal credit card.

The Internal Audit Report is provided for Members' information (*Attachment 3 to Item 95/18*).

Attachment 3

4. **ANALYSIS OF OPTIONS**

Option 1 – The report be received and the Audit and Governance Committee note the Action Plan contained in Attachment 1 to item 95/18 and that the progress against actions will be monitored by the Principal Risk Management Officer.

The internal audit in the use of purchase cards has been independently reviewed by Galpins. A number of improvements have been identified and these will be implemented in the next few months.

Option 2 – The Audit and Governance Committee has reviewed the Action Plan and requires further review regarding the use of purchase cards.

The Audit and Governance Committee notes the Action Plan however seeks further review and a revised Action Plan be presented at the next appropriate Committee meeting.

5. **RECOMMENDED OPTION**

Option 1 is the recommended option.

6. **ATTACHMENTS**

- Attachment 1 - Action Plan
- Attachment 2. Independent Review Letter – Galpins
- Attachment 3. Internal Audit – Use of Purchase Cards report

7.

Name	Title
Nicola Tinning	General Manager Business Support and Improvement
Peter Tsokas	Chief Executive Officer

Internal Audit Purchase Cards Action Plan

Report Section	Rec Number	Recommendation	Due for Completion	Responsible Officer	Status
Actions currently in train					
1.2	3	An annual review of credit limits occur, with adjustments made based on actual usage, to ensure that limits are set at levels appropriate to business requirements.	January 2019	Finance and Procurement Manager	Commenced - a number of cards have already had their credit limits decreased
3.1	5	Purchase Card Policy to specify rules on linking purchase cards to online accounts. The policy should require: <ul style="list-style-type: none"> a) Separate approval process for the creation of an online account such as PayPal b) Purchases made using alternative payment methods to be treated as purchases on a purchase card and be subject to the same terms, conditions and policy requirements c) The online account to be set up in the name of the staff member responsible for the purchase card linked to that account d) Use of the online account must be restricted to the cardholder e) The online account to be set up with the staff member's official work email address and not a personal address. 	31 November 2018	Finance and Procurement Manager	
3.1	6	Implementation of an online expense management system to improve the collection of required	30 November 2018	Management Accountant	Commenced – system selected, awaiting vendor

Report Section	Rec Number	Recommendation	Due for Completion	Responsible Officer	Status
		documentation and monitoring of purchase card transactions.			availability for implementation
3.1	9	Rewards and Recognition Policy be reviewed to strengthen guidelines to address recent public concern regarding entertainment, gifts, rewards and recognition.	30 January 2019	Senior HR Advisor / Culture Hive	
3.2	12	Consider the introduction of exempt transactions to the Purchase Card Policy similar to those that have been considered in the Procurement Procedures	30 November 2018	Management Accountant	
Actions that have been completed					
1.2	1	Purchase Card Policy be amended to include specific reference to transaction limits being set in line with financial delegations	31 October 2018	Governance Officer	Complete
1.2	2	The Financial Delegation Register include the approved purchase card credit and transaction limits.	31 October 2018	Finance and Procurement Manager	Complete
2	4	The Purchase Card Policy and Procedure be added to the intranet for easy access by employees.	31 October 2018	Contracts Administration Officer	Complete
3.1	7	The feasibility of introducing a unique colour scheme for purchase cards be investigated to minimise confusion with personal purchase cards.	31 October 2018	Management Accountant	Complete – implementation of specifically designed cards early November 2018
3.1	8	Purchase Card Policy be amended to clearly state that the use of purchase cards to pay any fines is prohibited.	31 October 2018	Finance and Procurement Manager	Complete

Report Section	Rec Number	Recommendation	Due for Completion	Responsible Officer	Status
3.1	10	Quarterly reviews of entertainment gifts, rewards and recognition expenditure be implemented	30 November 2018	Management Accountant	Complete
3.1	11	Training for all purchase cardholders be conducted in relation to appropriate use of public monies, consideration of public perception as part of their procurement decision making processes and acceptable card use	30 April 2018	Management Accountant	Complete
3.2	13	Where a card holder consistently and reasonably presents inadequate supporting documentation, the annual review consider a suspension or removal of the card if applicable.	31 October 2018	Finance and Procurement Manager	Complete



Accountants, Auditors & Business Consultants

City of Unley

Independent Review of Internally Conducted Credit Card Audit

July 2018

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1. Executive Summary

1.1 Introduction

The City of Unley (Council) has recently undertaken, using internal resources, an audit of credit cards. Council has requested that Galpins provide independent assurance that the scope, audit processes undertaken and the report itself are sufficiently robust.

1.2 Methodology

- A copy of the draft report titled “Internal Audit Use of purchase cards April 2018” was obtained and reviewed
- A face-to-face meeting was held with the report author to discuss our comments on the report, understand the nature and extent of work undertaken and sight supporting work papers
- A marked-up copy of the report, including review comments, queries and recommendations, was provided to the author of the report
 - credit card risks identified and controls tested were compared against risks and Core Controls per the April 2017 “Better Practice Model – Internal Financial Controls for South Australian Councils” as well as general good practice principles
- An updated copy of the report, following amendments resulting from comments provided and discussion, was obtained and reviewed
- A marked-up copy of the second report was provided to the author of the report
- A report of conclusions was prepared and distributed.

1.3 Conclusion

Based on the work performed as outlined above, we have concluded that, in all material respects:

- the scope is sufficiently robust and adequately considers all relevant risks
- the fieldwork undertaken aligns with the scope and evidence collected is sufficient to support audit conclusions, findings and recommendations
- the report of findings aligns with and is supported by the fieldwork and recommendations are appropriate for consideration by management.



Internal Audit
Use of Purchase Cards
July 2018

INTRODUCTION

Corporate purchase cards provide Council with a convenient, flexible and low cost procurement option, particularly for low value transactions. Given the efficiencies to be gained from using this procurement option, the City of Unley has implemented a Purchase Card Policy and incorporated the use of purchase cards within its Procurement Strategy. Since the introduction of purchase cards, with card payment accounting for 1 percent of the number of non-cash transactions between 01/07/2016 – 28/02/2018.

Under the current Purchase Card Policy, the cardholder must determine that a purchase card is the appropriate procurement option, and also assess whether a transaction represents a responsible use of public funds. This is ensured by confirming that the:

- Amount spent is within the approved budget;
- Expenditure is necessary to exercise the public entity's powers or carry out its functions; and
- Expenditure represents value for money (e.g. consideration of the financial and non-financial costs and benefits associated with procurement).

Whilst there are operational/administrative efficiencies to be gained from the use of purchase cards, their convenience can create the potential for misuse. General risks associated with the use of purchase cards include personal expenses being charged to the card, using the card to withdraw cash for personal benefit, falsifying, destroying or damaging receipts and other records. The misuse of purchase cards can attract considerable public interest and cause damage to a public entity's reputation.

The City of Unley's Business Process Mapping Model (Appendix 1) enables Council to assess the risks and current controls in place for the use of purchase cards. This model formed the basis of this internal audit and identified internal controls for the use of cards through improved policy, education programs and internal reporting. This report provides the detailed findings of the audit and sets out recommendations in response to the findings.

OBJECTIVE AND SCOPE

The objective of the internal audit was to assess whether effective management and controls exist to ensure appropriate probity and propriety in relation to purchase card use.

METHODOLOGY

The scope of the internal audit covered all active issued purchase cards (33 in total) and their utilisation between July 2016 and February 2018.

The internal audit methodology included:

- an examination of current purchase card policies and procedures;
- a review of transactions (4,000) and associated documentation compliance;
- analysis of spend by supplier and purchase type.

Using the Business Process Mapping (BPM) model, the Management Accountant, drawing on professional qualifications and experience, has undertaken this review.

For the purpose of reporting, the findings of this review have been grouped under the following headings:

1. Are there appropriate controls relating to the issue of purchase cards?
2. Are purchase card policies current and accessible?
3. Are there appropriate controls relating to the use of purchase cards?
4. Are there appropriate controls for return of purchase cards?

SUMMARY OF FINDINGS

The internal audit found no instances of serious or systemic misuse of public funds or fraud.

Audit findings provide opportunities for improvement in the use, management and reporting of purchase cards for procurement.

A series of recommendations are contained within the report, based on the findings.

Policies

Council's purchase card policy ensures effective controls to manage purchase card associated risks.

Cardholders are required to retain supporting documentation for each transaction with clear guidance provided in the policy on what constitutes a tax invoice. However, the policy lacks clarity where no tax invoice is available.

During the review the following policies were identified as requiring review to provide clearer guidance for staff and to strengthen controls to better manage business risk.

- Employee Recognition Policy
- Training and Development Policy
- Receipt of Gifts and Benefits
- Corporate Purchase Card Policy

Use of purchase cards

Based on the volume and value of transactions between July 2016 to February 2018, purchase cards present an efficient and appropriate procurement method for cardholders at the City of Unley.

Purchase card transactions types include community program incidentals (food, beverages and other consumables), conferences, training, catering and IT related goods and services. The review of the 4,000 transactions identified the majority of transactions complied with policy requirements. However, there was a small number of instances detected of non-compliance with existing policies and procedures. There was no evidence of intentional misuse or fraud.

Monitoring of use

Council has in place a formal process for cardholders to acquit and reconcile their purchases. The audit identified there were instances where staff had not provided correct supporting documentation or adequate transaction descriptions within the timeframes set by the finance team.

Return of purchase cards

An employee exit checklist is used when an employee ceases employment with Council. This includes a provision to confirm the return of purchase cards. As part of that process, the purchase card is cancelled, and destroyed.

SUBSEQUENT EVENTS

A mandatory purchase card presentation for all cardholders was held in April 2018 where cardholders were required to complete an updated purchase card acknowledgment form.

The presentation covered:

- an overview of the transaction activities of the cardholders
- risks associated with the use of cards
- reinforcement of the responsibility of cardholders when using their cards
- impact of recent media attention on the use of purchase cards by councils

All current purchase cardholders attended the presentation and submitted a signed authority acknowledgment form.

DETAILED FINDINGS

1. Are there appropriate controls relating to the issue of purchase cards?

Purchase cards are intended to facilitate and simplify the procurement process, particularly for low value transactions. However, the ease of use can result in misuse. The misappropriation of public resources can damage Council's reputation. To assist with the mitigation of these risks, a Purchase Card Policy has been implemented.

One strategy for managing risks associated with the use of purchase cards is to ensure that purchase cards are only issued to employees who have a genuine operational need. The audit determined that all 33 cards had been issued appropriately on the basis that:

- Application forms for new purchase cards were signed by two authorised officers, approved by the relevant General Manager and deemed necessary for business requirements
- There was documented acknowledgement by the cardholder that they understood and would abide by the purchase card policy and procedure relating to use
- Cards were used for frequent low value purchases under \$2000
- Cards were used in circumstances where a supplier exists with whom Council does not have a payment arrangement, for example subscriptions, travel expenses and goods only available on-line.

Table 1: Summary of Transactions made by cardholders from July 2016 to Feb 2018

Cardholder Role	Number of Cardholders	Average Number of Transactions	Average Spend (\$)	Average Maximum Transaction (\$)	Average Minimum Transaction (\$)	Average Credit Limit (\$)	Average number of transactions per month	Average Spend per month (\$)
Executive	4	918	\$ 58,952.01	\$ 2,416.62	\$ 3.20	\$ 10,000.00	11	\$ 736.90
Management	7	997	\$171,076.03	\$ 2,967.46	\$ 3.48	\$ 11,666.67	9	\$ 1,747.97
Coordinator	13	965	\$103,008.76	\$ 1,209.03	\$ 13.64	\$ 8,461.54	6	\$ 615.14
Administrator	9	1559	\$385,888.74	\$ 4,093.13	\$ 4.48	\$ 10,000.00	11	\$ 2,527.31

1.1 Were applications of new cards approved and authorised?

The Council's Corporate Purchase Card Cardholder Approval and Acknowledgement form requires approval of the CEO and General Manager. In addition, a specific purchase card application form must be submitted to the relevant financial institution which requires authorisation from one verifying officer and one authorising officer (as defined in the contract for provision of banking services with NAB). All card applications comply with these requirements.

1.2 Were credit and transaction limits appropriate to the Council's requirements?

Credit and transaction limits help Council to manage the risk of purchase card misuse and fraud.

A standard credit limit of \$10,000 per month is set at the time that the purchase card is issued and can be revised if the limits are no longer consistent with Council's or cardholder requirements. The standard credit limit was set by the banking institution at the time procurement cards were introduced to the business.

The credit limits applied to each purchase card within the scope of this review highlighted that 22 out of 33 cardholders used less than 50% of the credit limit given. The average difference between the credit limit and the maximum monthly account balance was \$5480.

Transaction limits provide a further control by setting how much can be spent in one transaction. Council has not previously introduced a transaction limit for each card, with the limit currently the same amount as the monthly credit limit.

Recommendation:

- **Purchase Card Policy be amended to include specific reference to transaction limits being set in line with financial delegations**
- **The Financial Delegation Register include the approved purchase card credit and transaction limits.**
- **An annual review of credit limits occur, with adjustments made based on actual usage, to ensure that limits are set at levels appropriate to the Council's business requirements.**

1.3 Did cardholders acknowledge that they understood and will adhere to the purchase card policy?

A signed acknowledgement form outlining the terms and conditions of purchase card issue and use exists for all cardholders tested.

Information sessions were held with all cardholders to ensure that they understood the terms and conditions that govern the use of purchase cards. The form explicitly lists the following obligations relating to card use:

- Use for official Council business only
- Maintenance of appropriate security of the card, including not allowing use by other persons
- Immediate reporting of loss or theft of the purchase card
- Immediate return of the card upon request or change to employment status
- No access to cash advances
- Retention of all original supporting documentation for transactions made with the card
- Compliance with OHS&W requirements in relation to purchases
- The potential for disciplinary actions if the purchase card is misused.

2. ARE PURCHASE CARD POLICIES AND PROCEDURE CURRENT AND ACCESSIBLE?

The Purchase Card Policy was last reviewed in June 2015; the document is still relevant to business needs and reflects organisational requirements. (Appendix 3)

The policy and procedure were not easily available to cardholders as they were not available on the intranet, although copies are available on request. The policy is registered in

Council's Records Management System, and a copy exists in a shared Finance network drive (accessible only by finance).

Instructions on "How to reconcile your purchase cards" were easily accessible to staff via the Council's intranet.

Recommendation:

- **The Purchase Card Policy and Procedure be added to the intranet for easy access by employees.**
- **A review of the policy be undertaken to consider the findings of this review.**

3. ARE THE CONTROLS RELATING TO THE USE OF PURCHASE CARDS APPROPRIATE?

It is deemed good practice for public sector entities to provide additional guidance in the use of purchase cards to ensure that expenditure is consistent with the responsible use of public funds.

Council seeks a culture where leaders behave in a manner that models the values and ethical beliefs of our organisation. These practices are to ensure that we provide our community with exceptional services at the best value possible. Staff are measured on their adherence to our values and our policies are framed in a way that encourages self-regulation and compliance.

Cardholders are responsible for the appropriate use of purchase cards to assist with day-to-day operations and the management of Council's resources and assets. Cardholders must have delegated authority to commit or incur expenditure, and must ensure that the funds spent are within the approved budget and necessary for carrying out service areas' core activities.

The Purchase Card Policy explicitly prohibits the use of purchase cards for cash withdrawals, payment of fines and personal transactions. The policy also stipulates that every cardholder is required to reconcile their purchase card expenditure on a monthly basis, and that the reconciliation must be authorised and completed within a specified timeframe.

Council's purchase card policy provides effective controls to manage purchase card associated risks.

3.1 Were appropriate controls around the acceptable use of purchase cards in place?

Over the twenty-month testing period, \$695,759 in expenditure was incurred. Approximately 4,000 transactions were reviewed and categorised by transaction type, to assist with the identification of:

- non-compliance with the existing policy and procedure; and
- instances of purchase cards being used to make purchases inconsistent with the responsible expenditure of public funds.

The review of use indicates that purchase cards are an appropriate procurement method for employees.

The majority of transactions were business related, however in response to recent media attention on industry expenditure it is an opportune time to strengthen other associated policies to ensure Council employees are provided with better guidance for purchase card use.

The following would improve the current use of purchase cards.

Alternative payment gateways

PayPal is the top supplier used based on the amount spent during the testing period. PayPal is an online platform that supports money transfers between consumers and businesses so this grouping represents a range of actual suppliers rather than a single entity. Receipts generated from PayPal transactions do not comply with the Australian Tax Office requirements for GST. If the supplier using PayPal as their payment gateway cannot supply a compliant tax invoice, the GST (where applicable) cannot be claimed.

While PayPal is a convenient and secure way to pay for products and services bought online, these payments come with an increased risk of fraud or misuse due to:

- Use of corporate purchase cards for private purposes if employees link the corporate purchase card to their personal account with the alternative payment method provider
- Funds being 'frozen' if there is a dispute
- Increased risk of identity theft or unauthorised access to either the online account, linked bank account or purchase card
- Ability to transfer funds to another bank account.

The review identified 88 transactions with a total value of \$40,300 using PayPal. These were typically for the procurement of library books and other materials.

Recommendation:

If PayPal is unavoidable, the policy should require:

- **A separate approval processes for the creation of an online account**
- **Purchases made using alternative payment methods to be treated as purchases on a purchase card and be subject to the same terms, conditions and policy requirements**
- **The online account to be set up in the name of the staff member responsible for the purchase card linked to that account**
- **Use of the online account to be restricted to the cardholder**
- **The online account to be set up with the staff member's official work email address and not a personal address.**

Personal use

Testing of transactions between July 2016 and February 2018, identified two cases of accidental personal use of the purchase cards. In both instances, the cardholders identified the personal use during the monthly reconciliation process and Council was reimbursed immediately. No disciplinary action was taken, as these purchases were deemed genuinely accidental. The monthly purchase card reconciliation process provides the best opportunity to identify instances of personal use whether accidental or deliberate.

Recommendation:

- **Implement an online expense management system to improve the collection of required documentation and monitoring of purchase card transactions.**
- **Investigate the feasibility of introducing a unique colour scheme for purchase cards to minimise confusion with personal purchase cards.**

Fines

The current Purchase Card policy does not explicitly prohibit the use of purchase cards for the payment of fines relating to illegal activities. The Motor Vehicle Policy deems traffic

offences as personal transactions of the vehicle user. Two cardholders used their purchase cards to pay for two separate speeding fines. Both cardholders explained that unknown offender(s) incurred both traffic offences and their Manager approved the payment. The Finance team at the time of the monthly review asked cardholders to provide statutory declarations.

Recommendation:

- **Purchase Card Policy be amended to clearly state that the use of purchase cards to pay any fines is prohibited.**

Use of card by other staff members

The practice of allowing others to use the purchase card increases the potential for fraud or misuse. Purchase cardholders commit to ensuring the appropriate security of the purchase card and not allowing the use of the card by any other person by signing the Cardholder Approval and Acknowledgement form (Appendix 3). Use of a purchase card by anyone other than the cardholder is prohibited under the Purchase Card Policy.

If Finance become aware of this practice by a cardholder, they are immediately reminded of their responsibility. Conversations with Finance staff indicate this practice is not common.

Entertainment, Gifts, Rewards and Recognition

Entertainment refers to the provision of food or drink even if business discussion or transactions occur.

While Council's policies identify the information required to ensure that Council complied with the *Fringe Benefits Tax Act 1986*, the policies were generally silent on the instances in which entertainment specific expenses and the use of purchase cards were appropriate.

Entertainment expenses totalled about \$78,000. Testing results identified that the majority of entertainment expenses related to the provision of catering for Council meeting and Briefing sessions. Other entertainment activities included business meetings, farewells and annual festive functions for volunteers, employees and members. The average spend per person per annum was \$210.

Council recognises the positive contribution of long serving employees at key milestones after 15 years and at retirement. \$18,000 relates to service recognition purchases,

Recommendation:

- **Rewards and Recognition Policy be reviewed to strengthen guidelines to address recent public concerns regarding entertainment, gifts, rewards and recognition.**
- **Quarterly reviews of entertainment, gifts, rewards and recognition expenditure be undertaken.**
- **Refresher training be provided for all purchase cardholders in relation to appropriate use of public monies, consideration of public perception as part of their procurement decision making processes and acceptable card use.**

3.2 Is there an effective process in place for acquitting transactions?

An acquittal process reduces the likelihood of purchase card misuse and fraud. An acquittal process requires the cardholder to:

- Provide appropriate supporting documentation;

- Provide an adequate description of transactions to allow the authorising officer to determine whether the goods and services were used for official Council business; and
- Certify that the goods or services were received.

Council's purchase card policy requires the cardholder to obtain a tax invoice to support each transaction made with a purchase card. The policy also provides comprehensive advice on what constitutes a tax invoice.

The purchase card policy is silent on what process is to be followed in the event that a tax invoice is not available. A form exists to record transactions with explanation when a tax invoice is not presented.

Recommendation:

- **Consider the introduction of exempt transactions to the Purchase Card Policy similar to those that have been considered in Council's Procurement Procedures.**
- **Where a card holder consistently and reasonably presents inadequate supporting documentation, the annual review consider a suspension or removal of the card if applicable.**

3.3 Is there an effective process in place for reviewing transactions?

Purchase card statements are authorised by each cardholder's manager and reviewed by Finance monthly. This is an adequate review of expenditure.

4. WERE THERE APPROPRIATE CONTROLS AROUND THE RETURN OF PURCHASE CARD?

Council uses an exit checklist that includes a provision for the return of purchase cards. It requires cardholders to return the purchase card no later than the last day of employment. The card is then cancelled and destroyed to minimise the risk of unauthorised use. The result of the testing demonstrated that all employees leaving the organisation followed this process.

SUMMARY STATEMENT

Corporate purchase cards provide Council with a convenient, flexible and low cost procurement option, particularly for low value transactions.

The objective of the internal audit was to assess whether effective management and controls exist to ensure appropriate probity and propriety in relation to purchase card use.

The scope of the audit covered all active issued cards and their transactions between July 2016 and February 2018.

The audit identified a number of areas for improvement and found evidence of serious or systemic misuse of public funds or fraud.

An Action Plan will be used and monitored to ensure the recommendations of this report are implemented.

APPENDICES

1. COU Business Process Mapping
2. Procurement Policy
3. Corporate Purchase Card Policy
4. Corporate Purchase Card Cardholder Approval and Acknowledgement

APPENDIX 1: COU Business Process Mapping

Control Description	Risk		
	Purchase Cards are issued to unauthorised employees.	Purchase Cards are used for purchases of a personal nature.	Purchase Card limits are set at inappropriate levels.
Assessed Risk Level	Low – May occur in exceptional circumstances, negligible financial loss	Low – May occur in exceptional circumstances, negligible financial loss	Low – May occur in exceptional circumstances, negligible financial loss
There is a process in place to ensure there are appropriate approvals prior to the issuing of Purchase Cards and limits.	Section 3.1		
Purchase card holders sign a declaration confirming compliance with Council policy and procedures prior to the Purchase Card being released.	Section 3.3	Section 3.3	
Access to purchase card details and supporting documentation is restricted to appropriate staff.	Not tested		
There is a process in place to approve all purchase card transactions to ensure compliance with the policies and procedures covering purchase card usage.		Section 4.3	
Cardholders are advised in the policy and procedures that improper use of the purchase card, such as purchases of a personal nature, may result in disciplinary action in accordance with the Code of Conduct.		Section 2 Section 3.	
Cardholders must check their statement to ensure all transactions are correct and identify any transactions of a personal nature which must be reimbursed to Council.		Section 4.2	
There is a process in place to ensure purchase card limits and usage is reviewed for operational efficiency.			Section 3.2
Tax invoices / other supporting documentation is obtained to support all purchase card transactions.		Section 4.2	
Processes exist to identify Cardholders requiring card cancellations (e.g. due to termination or position changes) and process cancellation in a timely manner.	Section 5	Section 5	



PROCUREMENT

Policy Type:	Council Policy
Responsible Department:	Corporate Services
Responsible Officer:	General Manager Corporate Services
Related Policies and Procedures	Code of Conduct for Council Employees Community Engagement and Public Consultation Policy Disposal of Surplus Non-Community Land Policy Fraud and Corruption Prevention Policy Gifts and Benefits Procedure Motor Vehicle Policy Projects Prudential Management Policy Purchase Card Policy Risk and Opportunity Management Policy Work, Health and Safety Contractor Management Policy
Date Adopted:	28 May 2012 (C420/12)
Last Council Review:	28 September 2015 (C257/15)
Next Review Date:	September 2018
ECM Doc Set ID:	1309552

1. POLICY STATEMENT

This Policy has been developed, pursuant to the requirements of Section 49 of the *Local Government Act 1999*, for the acquiring of goods and services. It provides clear direction for procurement within the City of Unley to ensure consistency and control over procurement activities and to encourage best practice.

Non-procurement expenditure, such as sponsorship, grants, funding arrangements, donations, leases, licenses and employment contracts are not covered by this Policy.

A Procurement Framework is maintained to support this policy.

2. COMMUNITY PLAN OBJECTIVES

- 5.3 Good Governance and Legislative Framework
- 5.5 A Financially Sustainable Approach to Business and Planning Activity.

3. POLICY OBJECTIVES

This policy has been developed to provide clear accountability, consistency and transparency to all procurement activities of Council and ensure deliver of the following key objectives:

- providing for equitable and ethical behaviour in all procurement activities and fair treatment of suppliers and third parties
- obtaining value for money through tendering and negotiating practices
- ensuring probity, accountability, transparency and, where appropriate, reporting
- effective management of the end to end procurement lifecycle
- identification and management of risks, and
- ensuring that purchasing transactions are within delegated signing authority.

4. PRINCIPLES

The following key principles underpin all procurement activities at the City of Unley:

4.1 Open and Effective Competition

Procurement should, as far as is reasonably possible, be transparent and result in fair and effective competition in the provision of goods and services. Council will encourage healthy competition in the markets from which it purchases.

4.2 Value for Money

Council seeks to achieve value for money. The concept of best value is not restricted to price alone. The best value assessment will include a consideration of one or more of the following criteria together with other relevant factors pertaining to the individual procurement activity:

- contribution to the advancement of the Council's strategic priorities
- ensuring that the goods and/or service(s) meet the needs of the community through fitness for purpose, quality, services and support
- whole-of-life costs, including costs of acquiring, using, maintaining and disposal
- internal administration costs
- technical compliance issues
- risk exposure, and
- the value of any associated environmental, social and economic benefits.

4.3 Ethical Behaviour and Fair Dealing

Council values the highest ethical and professional standards in its business dealings. Council will aim to achieve integrity in its procurement activities through transparent

processes. Council employees involved in purchasing are to behave with impartiality, fairness, independence, openness, integrity and professionalism in their discussions and negotiations with suppliers and their representatives at all stages of the procurement process.

Council officers will observe the mandatory Code of Conduct at all times during the conduct of procurement activities and comply with all legal and common law obligations, including requirements of the Independent Commissioner Against Corruption Act 2012.

4.4 Social, Economic and Environmental Sustainability

Council is committed to maximising the positive impact of its activities to benefit the local community, its economy, and the environment.

The Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses. Where all other considerations are equal, Council may give preference to local contractors and suppliers by:

- actively promoting to local businesses opportunities to supply to the Council
- structuring the purchasing processes to be accessible to all businesses
- giving preference to local business when all other commercial considerations are equal
- ensuring, where possible, that specifications and purchasing descriptions are not structured so as to potentially exclude local suppliers and contractors.

Consideration may also be given, where practicable in the procurement process, to investigate the inclusion of not-for-profit organisations (social enterprises) that benefit the community (including the disadvantaged).

In addition, in order to minimise Council's impact on its environment, Council will, where all other factors are equal, adopt purchasing practices which conserve natural resources in a way that achieves value for money on a whole life basis by generating benefits for the organisation and the community.

4.5 Risk Management

Council will ensure that appropriate risk management practices are in place for procurement activities including risk identification, assessment, and mitigation.

Procurement risk assessments will influence the approach to market, with higher risk acquisitions requiring more formal procurement planning methodologies and higher levels of management oversight.

Probity Auditors will be used where it is considered appropriate when undertaking high risk, high value or complex contracts.

In respect to Work, Health and Safety (WHS), the Council will ensure that all contractors working for Council are committed to WHS management principles and obligations. Council will select, induct and monitor contractors and maintain WHS records relating to the work undertaken.

5. PROCUREMENT

5.1 Methods of Procurement

To meet the requirements in relation to open and fair processes, the Council will select an approach to market method best suited to the procurement activities.

The determination of the method of procurement will be typically documented by the preparation of an Acquisition Plan, detailing the most appropriate method for the purchase and the delegated officers involved at each level of the approval process.

The strategy and planning for the procurement process must be commensurate with the estimated monetary value and the level of risk to Council arising from the engagement. Strategic sourcing of goods and services requires planning using a systematic and fact orientated approach to optimize Council's supply base and to improve value overall.

For purchases where the estimated gross value of expenditure over the life of the contract exceeds \$100,000, the Council's usual practice will be to call for tenders.

Council reserves the right to undertake public or selected tenders and requests for expressions of interest whenever considered appropriate.

For the purpose of this policy, the value of any purchase will be calculated as follows:

- single one-off purchase – the total amount, or estimated amount of the purchase (excluding GST)
- multiple purchases – the gross value of, or the estimated gross value of, all items to be purchased (excluding GST), or
- ongoing purchases over a period of time – the annual gross value of the purchases, or the estimated annual gross value (excluding GST).

Splitting the amounts to bring expenditure within lower limits is not permitted.

Persons with financial delegated authority to procure will be responsible for ensuring appropriate practices and procedures for risk and opportunity management are observed.

Council may, in its absolute discretion, by resolution, having regard to the Procurement Principles and any other factors considered, utilise a different method of procurement.

5.2 Strategic Purchasing Cooperatives

Purchases may be made through strategic alliances and common use arrangements that are established and administered by other organisations with the aim of:

- reducing direct and indirect purchasing costs, and/or
- providing value for money through joint purchasing, and/or
- improving delivery and/or quality of outcomes to residents, and/or
- attracting more competition or a more suitable field of providers to respond to the tender call.

Where the Council accesses a contract from an approved provider, established in accordance with transparent competitive tendering processes, it is deemed that these are contracts resulting from a tender process. Such contracts do not require a further

tender process and are not required to be recorded in the Register for Dispensation from Procurement Policy.

5.3 Dispensation from Policy

In circumstances where the Council enters into purchasing contracts, other than those resulting from a competitive process, the Council will record the reasons for entering into those contracts. These reasons must be identified in an Acquisition Plan and approval is required by the:

- relevant General Manager on the recommendation of the initiating officer if the value of the purchase is under \$100,000, or
- CEO if the value is over \$100,000.

Where the amount is over \$100,000 the purchase must be reported to the next available meeting of the Council's Audit and Governance Committee.

All such purchases, whether approved by a General Manager or the CEO, must be recorded in a register (Register for Dispensation from Procurement Policy) and reported to the Executive Management Team on a quarterly basis.

5.4 Negotiations

When requests for quotations, tenders or proposals have been invited for a contract for the carrying out of work or the supply of goods or services then Council may negotiate with one or more respondents.

Probity requirements must apply in respect to any negotiation undertaken.

The Council may close down a tender (shut down) if there are no suitable tender submissions received and proceed to negotiate with any one or more of the tenderers or any other person.

5.5 Contracting Out of Services

The Council may explore contracting out opportunities in lieu of internal service provision if greater value for money can be achieved to gain the most efficient and effective service delivery possible, subject to any restrictions or requirements contained within any enterprise based bargaining agreement. This includes the consideration of shared services opportunities with other Councils.

Any proposal to outsource any service or function currently performed predominantly 'in house' by Council staff is subject to delegation.

5.6 Confidentiality

Council will maintain confidentiality in regard to financial contractual arrangements with suppliers, subject to statutory obligations requiring certain tender and contract information to be made publicly available.

5.7 Sale and Disposal of Assets

For the sale and disposal of land and other assets, the following principles will apply:

- consistency with and relevance to Council's Corporate and Strategic Plans

- transparency and accountability in sale and disposal procedures and practices to ensure that the Council obtains the best price in the circumstances and that potential purchasers are given equal opportunity to purchase the land or assets
- compliance with statutory and other obligations (eg; Council policy Disposal of Surplus Non-Community Land)
- commercial confidentiality within legislative constraints, and
- other relevant factors deemed appropriate by Council.

Consideration must also be given to the Project Prudential Management Policy where relevant.

Council may utilise one or more of the following methods to sell or dispose of land and other assets:

- trade in
- public auction
- select tender
- open tender
- by agency agreement, or
- a direct approach to potential purchasers (for example, adjoining landholders).

Motor vehicle disposal is addressed in Council's Motor Vehicle Policy.

6. DEFINITIONS

<i>'Acquisition Plan'</i>	is a document that outlines the procurement methodology and strategy to be undertaken in procuring the required goods or services. This plan also details the approval delegation before the procurement strategy is commenced.
<i>'Direct sourcing'</i>	is the purchase of goods and/or services from a single source.
<i>'Dispensation from Procurement Policy'</i>	the deviation from policy to pursue a method of procurement that will provide the best outcome for the Council.
<i>'Procurement'</i>	is the complete action or process of acquiring or obtaining goods, services or property from outside Council at the operational level. For example, purchasing, contracting, and negotiating directly with the source of the supply through to acceptance and payment.
<i>'Strategic sourcing'</i>	is a process that continuously improves and re-evaluates purchasing activities to gain value.
<i>'Tender'</i>	a proposal, bid or offer that is submitted in response to a Request for Tender.

7. LEGISLATION/REFERENCES

This is a mandatory policy as required under the Local Government Act 1999 (Section 49).

The following is a list of various Acts and Regulations that apply to Council's diverse range of procurement activities. This policy is intended to supplement these instruments. Any inconsistency that may arise between this policy and a relevant Act or Regulation shall be resolved in favour of the act or regulations:

- Local Government Act 1999
- Competition and Consumer Act 2010 (Commonwealth)
- National Competition Policy
- Freedom of Information Act 1991
- Work Health and Safety Act 2012 (SA)
- Work Health and Safety Regulations 2012 (SA)
- Independent Commissioner Against Corruption Act 2012
- Environmental Protection Act 1993.

8. POLICY DELEGATIONS

Council makes delegations to the Chief Executive Officer under the *Local Government Act 1999*, including the power to expend Council's approved budgeted funds. This power is sub-delegated by the Chief Executive Officer to other Council employees.

Delegated officers will be required to sign off the procurement process in an Acquisition Plan and at various stages throughout the purchasing process.

9. ROLES/RESPONSIBILITIES

- Manager Finance and ICT
- Co-ordinator – Procurement and Contracts.

10. AVAILABILITY

The policy is available for public inspection during normal office hours from:

Civic Centre
181 Unley Road
Unley SA 5061

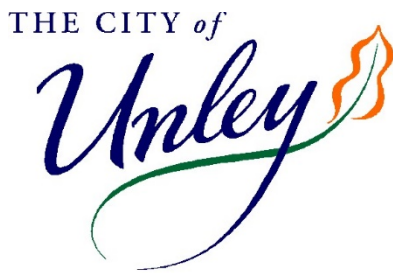
A copy may be purchased for a fee as determined annually by Council.

It is also available for viewing, download and printing free of charge from the Council's website, www.unley.sa.gov.au

11. DOCUMENT HISTORY

Date:	Council/Committee/Internal	Comment:
20 Sept 2010	CSP 360/10	
27 Sept 2010	Council; C739/10	Was policy no. COU 22
14 May 2012	CSP 108/12	
28 May 2012	Council; C420/12	

1 Sept 2015	Audit & Governance; A&G18/15	
28 Sept 2015	Council; C257/15	Was policy no. COU14



Procedure Title: Corporate Purchase Card Policy

Policy Type:	<i>Administrative Procedure</i>
Reference Number:	<i>N/A</i>
Responsible Department:	<i>Finance</i>
Responsible Officer:	<i>Manager Finance & ICT</i>
Legislation	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Relevant Delegations:	<i>N/A</i>
Related Policies and Procedures	<i>Procurement Policy; Code of Conduct for Council Employees; Fraud & Corruption Prevention Policy; Freedom of Information Act, Gifts and Benefits Policy</i>
Community Goal	<i>5.1 Contribute to the local community and cultural life by providing opportunities for cultural expressions and learning</i>
Council Resolution:	<i>N/A</i>
Date Adopted:	<i>June 2015</i>
Review Date:	<i>June 2017</i>

1. INTRODUCTION

The following sections of the *Local Government Act 1999* (the Act) apply to the Corporate Purchase Card Policy.

Section 124 (Accounting Records to be Kept) regarding Council's Corporate Purchase Cards and how financial information pertaining to Purchase Card purchases, transactions and reconciliations are undertaken across all Council operations.

Section 125 (Internal control policies) commits Council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management

policies, to safeguard assets, and to secure (as far as possible) the accuracy and reliability of council records.

Section 129 (Conduct of Audit) requires our Auditor to verify that all financial transactions of the council have been conducted properly in accordance with law.

2. PRINCIPLES

- Ensure transparency in Council's operations concerning the use of Corporate Purchase Cards
- Ensure Council's resources are managed with integrity and diligence
- To adopt best practice in developing a clear and comprehensive policy on the use of Corporate Purchase Cards.

3. PURPOSE

Corporate Purchase Cards have been implemented to allow the Council staff to transact in a more efficient manner and at the same time provide a more convenient method to meet costs incurred on Councils behalf.

The cards should be recognised as a valuable tool for the efficient and effective operation of Councils daily business and not as a benefit assigned to specific individuals. Corporate purchase cards will create savings in staff administration time, reducing the number of one-off purchases reimbursed via petty cash and/or accounts payable and using cards currently held by other council staff.

Control of the use of cards will be maintained through the reconciliation process overseen by Finance each month.

4. PROCEDURES

4.1 Issuing of Cards

The relevant General Manager (GM), has delegated authority for the issuing of Corporate Purchase Cards to staff.

Finance will be responsible for maintaining a register of the individual Corporate Purchase Cards including their authorised limits and expiry dates. Finance will also be the administrator of the cards. This includes ordering cards, cancelling cards and monitoring the monthly reconciliations completed in the finance system.

After authorisation is given, Finance will order the new card with a form that has the signature of the relevant GM of the employees division and the employee. A copy of this procedure must accompany the issue of the card to the cardholder. The cardholder must sign this form and return to Finance before the card is issued. By signing the form, the cardholder is accepting all terms and conditions as set out by the City of Unley.

4.2 Limits

Each corporate card will have a monthly limit on expenditure. If the monthly limit is reached, the cardholder should contact the Finance team for further advice.

4.3 Restrictions

Corporate Purchase Cards are **not** to be used for personal expenses under any circumstances. The City of Unley has the right to remove the card from the cardholder if it deems fit. Cards should not be used for fuel purchases as fuel cards are already supplied. If purchasing over the internet, only trusted and secured sites should be used. The cardholder will be personally liable for expenditure that cannot be shown to be related to the business of the City of Unley. No cash advances are allowed via any means available eg. ATM.

4.4 Use of Cards

Cards are used as per any other purchase card available with a PIN entry or pay wave required to make purchases, including via the internet and telephone.

The card is for official business use only, no personal expenditure is permitted on the card. The card is not linked or should not be linked to any form of awards program the cardholder may have.

No Cash advances are permitted on the card

A tax invoice is required with **every** purchase you make. This is required to reconcile the purchase card and obtain any input tax credits that the council can claim on completion of the monthly BAS statement.

A valid tax invoice must contain the following requirements to comply with Australian taxation law;

- Name of creditor or supplier
- Address and contact details of creditor or supplier
- ABN of creditor or supplier
- Date of Issue
- Quantity and description of good or services purchased
- Tax Invoice written on the receipt
- Where available, the City of Unley written on the receipt with our address
- GST amount on the receipt or a statement showing "total includes GST"
- Amount Paid

If the transaction is greater than \$1,000 then either our name or our ABN (63 714 797 082) should also appear on the tax invoice.

The credit limit of the individual cardholder must not be exceeded. To obtain your current balance, the MA will be able to do this for you upon request.

Use of the purchase card must follow the City of Unley's purchasing policies including preferred suppliers where possible.

Procurement guidance can be obtained from the Finance Department.

4.5 Reconciliation

A reconciliation of all transactions must be performed on a monthly basis. The electronic statements will be loaded into the finance system where all transactions will be required to have entered a;

- Ledger code
- GST status

Once the reconciliation is completed, employees will seek authorisation for the expenditure directly from their manager via electronic workflow. Thereafter the reconciliation will be sent to Finance to check and post the expenditure into the finance system.

If reconciliations are not completed in an acceptable timely manner, the purchase card will be cancelled.

4.6 Payment of Monthly Account

Each month, our current Corporate Card Provider will direct debit our bank the months expenditure.

4.7 Disputed / Fraudulent Transactions

Any transactions that are not familiar to the card holder must be acted upon immediately. A simple phone call may be all that is needed to the supplier to correct duplicated charges or non receivable goods after the purchase has been made. If this does not correct the problem, Finance should be contacted who will attempt dispute the charge with the Corporate Card Provider. This can be a lengthy process and every endeavour should be made to resolve the issue prior to going down this path.

Fraudulent transactions while not commonplace do occur, while reviewing your transactions be mindful of this. If you suspect any transactions might be fraudulent in nature you must contact Finance as soon as possible.

4.8 Lost of Stolen Cards

If the card is lost or stolen, it is the responsibility of the card holder to contact the Corporate Purchase Card Provider to report the loss. Please keep the details of the card readily available should they be required. Finance must be contacted no later than the next business day to administer the change in status. Finance with the approval of the GM will arrange for a replacement card and issued upon receipt. Finance will then see that the card register is updated.

4.9 Terminating or Ceasing Employment

Cards should be returned as soon as no longer required and if leaving the services of Council, should be returned no later than the last day of employment.

CORPORATE PURCHASE CARD CARDHOLDER APPROVAL AND ACKNOWLEDGMENT

APPROVAL

Cardholders Name: _____

Position: _____

Credit Limit (Monthly):\$ _____

General Manager:(sign and print) _____

Finance Manager : (sign and print _____

Date: _____

ACKNOWLEDGMENT

I Acknowledge receipt of the City of Unley Corporate Purchase Card and agree that:

1. I will not use the Corporate Purchase Card, nor permit it to be used, other than for official Council purposes.
2. I will ensure security of the Corporate Purchase Card at all times and will not permit the card to be used by any other person.
3. If the Corporate Purchase Card is lost or stolen, I will immediately report to the financial institution and will also inform the Finance.
4. If my position with the City of Unley changes or my employment terminates, or I am asked to surrender the card for any reason, I will immediately return the card.
5. **No Cash advances are permitted on the card**
6. I will retain all original supporting documentation that meets the requirements of a Tax Invoice for presentation to the relevant authorising officer.
7. I will ensure that all OHS&W requirements are complied with for all purchases.
8. If I misuse the Corporate Purchase Card (i.e. use it in a manner otherwise than in accordance with the instructions provided), I may be liable for disciplinary action.

Card Number: _____ Expiry Date: _____

Signature of Cardholder: _____ Date: _____

Management Accountant: _____ Date: _____

DRAFT DECISION REPORT

REPORT TITLE: 2017-18 FINANCIAL STATEMENTS
ITEM NUMBER: 96
DATE OF MEETING: 29 OCTOBER 2018
AUTHOR: SARAH TAYLOR
JOB TITLE: MANAGER FINANCE AND
PROCUREMENT

1. **EXECUTIVE SUMMARY**

The 2017-18 General Purpose Financial Statements are attached for Members' information and review. They have been prepared in accordance with the model statements prescribed in the Local Government (Financial Management) Regulations 2011. (Attachment 1 to Item 96/18).

In accordance with Section 126(4)(a) of the Local Government Act 1999, *Attachment 1*, the Audit and Governance Committee must review the 2017-18 General Purpose Financial Statements and be satisfied that they present fairly the state of affairs of Council in accordance with Local Government Act 1999, the Local Government (Financial Management) Regulations 2011 and Australian Accounting Standards.

Council's external auditor, BDO have provided their 2017-18 Audit Completion Report and have indicated that, subject to completion of the identified procedural matters, their Audit Reports in relation to the Financial Statements and Internal Controls will be signed without reference to any qualification. (*Attachment 2* to Item 96/18)

After certification by the Acting Mayor and the Chief Executive Officer, and the Audit Report signed by external auditor, Mr. Geoff Edwards of BDO, the 2017-18 General Purpose Financial Statements will be presented to Council on 5 November 2018 for endorsement.

2. **RECOMMENDATION**

That:

1. The report be received.
2. The Audit and Governance Committee:
 - a. Having reviewed the City of Unley's 2017-18 General Purpose Financial Statements, contained in Attachment 1 and External Auditor BDO's Audit Completion Report contained in Attachment 2, considers that the 2017-18 General Purpose Financial Statements present fairly the state of affairs of

Council and can be presented to Council for endorsement on 5 November 2018.

- b. Considers that the City of Unley's 2017-18 General Purpose Financial Statements, contained in Attachment 1 to Item 96/18, can be certified by the Chief Executive Officer and the Acting Mayor.
 - c. Notes the draft Certification of Auditor Independence proposed by BDO as contained in Attachment 2 to Item 96/18, and the Certification of Auditor Independence contained in Attachment 1 to Item 96/18, is certified by the Chief Executive Officer and the Presiding Member of the Audit and Governance Committee.
 - d. Notes the Centennial Park General Purpose Financial Statements for 2017-18, signed by Centennial Park's External Auditor, contained in Attachment 3 to Item 96/18.
 - e. Notes the Brown Hill Keswick Creek General Purpose Financial Statements for 2017-18, signed by the subsidiaries External Auditor, contained in Attachment 4 to Item 96/18.
-

3. RELEVANT CORE STRATEGIES/POLICIES

Civic Leadership

Goal 4: Council will listen to the community and make transparent decisions for the long-term benefit of the City.

4.1 We have strong leadership and governance; and

4.3 Our business systems are effective and transparent.

4. DISCUSSION

The 2017-18 General Purpose Financial Statements are attached for the Committee's information and review (Attachment 1 to Item 96/18).

Attachment 1

It is proposed that the final signed copy will be tabled at the Special Council meeting on 5 November 2018 for endorsement.

The following summary is made in relation to the General Purpose Financial Statements:

4.1 Statement of Comprehensive Income

The Statement of Comprehensive income shows an operating surplus (including Centennial Park and Brown Hill Keswick Creek) of \$4.9M for 2017-18 compared with \$5M in the previous year.

Statement of Comprehensive Income	2017-18	2016-17	Movement
	\$000s	\$000s	\$000s
Council Operating Surplus	3 891	4 432	(541)
Centennial Park Net gain	82	132	(50)
Brown Hill Keswick Creek Net gain	48	0	48
Net Operating Surplus	4 021	4 564	(543)
Net Surplus	4 881	4 965	(84)
Other Comprehensive Income	(39 172)	(22 811)	(16 361)
Total Comprehensive Income	(34 291)	(17 846)	(16 445)

As shown in the table above, Council's Net Operating Result (surplus) has decreased from the previous year by \$543K. The decrease in Council's net operating result is due to a myriad of items that are explained below.

Council's operating revenue increased by \$951K (2%) and expenditure increased by \$1.49M (3.48%). Other than the change in timing of the Financial Assistance Grant, other key movements from 2016-17 include:

Income:

- General rates increase of \$1.25M, reflecting the general rates increase of 2.9% and rates growth of 0.5%. (refer Note 2a in the Financial Statements).
- Other Grants, Subsidies and Contributions have reduced, however this is offset by the increase in grant amounts received for New or Upgraded assets.
- Other Income has increased by \$157K for 2017-18 as a result of insurance claims totalling \$83K, EPA contribution to raingardens of \$42K, and a reimbursement from SA water to cover the cost of sourcing an alternative water source for irrigation due to damage to the recycled water pipeline.

Expenditure:

- Employee costs have reduced by 2.8%; however, these savings have been partially offset by an increase in temporary labour costs. The Enterprise Bargaining Agreement increases were largely offset by vacant positions that occurred throughout the year.
- Materials, contracts and other expenses have generally increased in line with CPI, there are a few exceptions which are spread across this broad classification. (refer Note 3 in the Financial Statements).
- An increase in the cost of depreciation \$746K, relates to the change in depreciation for Roads, Lanes, and Kerb and Water table. The increase is due to the removal of residual values (as per revised Accounting Standards AASB13) and revised unit rates for replacement that are more aligned to actual construction costs for this asset class.
- A decrease in finance costs has occurred. The cash advance facility had limited use during the year and there was no requirement to access new borrowings.

The Statement recognises the net movement in asset revaluations that have occurred this financial year. Further information about the revaluations are provided in the section below.

4.2 Statement of Financial Position

The Statement of Financial Position shows the total assets and total liabilities held by Council. As at 30 June 2018, the overall net assets (total assets less total liabilities) held by Council was \$506M compared with \$541M for the previous year, representing a decrease in total equity of \$35M.

The \$35M overall decrease in equity is due to the following movements:

Assets:

- An increase to Cash and Cash Equivalents of \$3.1M, received for Goodwood Oval \$2.5M and \$530K for other Grant funded capital programs.
- A reduction to Trade and Other Receivables of \$499K, due to a reduction in outstanding debtors.
- A decrease in Infrastructure, Property, Plant and Equipment of \$36.9M. Revaluations were undertaken on Roads during 2016-17 and then again in 2017-18. Most notably, the Roads have been revalued downwards by \$76.7M over the 2 year period (2016-17, \$27.1M and 2017-18, \$49.6M).

This is a result of a number of factors, including the removal of residual values, the road assets being split into three components, to better reflect the composition of the asset, updates to unit rates and removal of non-Council owned assets.

Revaluation of Land and Buildings resulted in a reduction to Building values of \$7.5M and an increase to Land Value of \$17.9M

Liabilities:

- An increase of \$1.32M in Trade and Other Payables relates to grant funding received for Goodwood Oval and other capital grant funded projects totalling \$3.1M not yet spent, offset by a reduction in Goods and Services (outstanding creditors), accrued expenses and current employee entitlements.

Overall, Council total borrowings decreased by \$1.2M and this was significantly better than anticipated as higher repayments were made due to the favourable operating result, and new borrowings not required due to capital works delays. Borrowings are \$5.2M at the end of June 2018.

Statement of Financial Position	2017-18	2016-17	Movement
	\$'000	\$'000	\$'000
Assets	524 217	558 442	(34 225)
Liabilities	17 855	17 789	66
Net Assets	506 362	540 653	(34 291)

4.3 Cash Flow Statement

Council generated nearly \$13.7M from its Operating Activities during the financial year compared to \$15M during 2016-17. Details of how this reconciles with the net surplus and changes in net assets are shown in Note 11 of the Financial Statements.

During the year, Council spent \$11.1M on the construction and purchase of assets compared to \$14.7M in 2016-17. (refer Note 7a of the Financial Statements)

As a result, the Cash Flow Statement shows an increase in cash held of \$2.1M, reflecting the net cash flows received for capital works including Goodwood Oval, to be delivered in 2018-19.

4.4 Financial Key Performance Indicators

The key financial indicators are summarised and discussed below, and are also included as 'Note 15 Financial Indicators of the Financial Statements.

Financial Indicators	2017-18	2016-17	Adopted Target
	\$'000	\$'000	
Operating Surplus	4 021	4 564	
Adjusted Operating Surplus Ratio*	7%	8%	5%
Net Financial Liabilities Ratio	27%	32%	<80%
Asset Sustainability Ratio	84%	116%	100% over 10 years

*The Adjusted Operating Surplus Ratio removes the distortion of Federal Government advance payments in 2017-18.

The 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. The Financial Indicators were revised in May 2015 and the financial indicators for previous years have been re-calculated in accordance with the revised formulas.

Overall, given the 2017-18 result and reduction in asset value, Council is still well positioned to continue to be financially sustainable. Council will continue to review and monitor future financial results and its financial position in conjunction with its Long Term Financial Plan (LTFP).

4.5 Audit Opinion

The role of the external auditor is to provide an audit opinion to council with respect to the audited financial statements.

In addition, Council's Auditor BDO is required to provide an opinion on the compliance of the City of Unley with the requirements of Section 125 of the Local Government Act 1999 in relation to the Internal Controls established by the Council.

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the Local Government Act 1999.

The Auditors' responsibilities is to express a conclusion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation only to the Internal controls established by the Council for the period 1 July 2017 to 30 June 2018 to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law in all material respects.

The Auditor procedures included assessing the controls of Council based on the criteria in the Better Practice Model – Internal Financial Controls.

The external auditor, Mr. Geoff Edwards has completed the audit of the financial statements and in his report on particular matters, arising from the audit (Audit Completion report) has indicated that subject to completion of the remaining outstanding matters, BDO anticipate issuing unqualified opinions in relation to the financial statements and internal controls.

Attachment 2

The final audit clearance is subject to the following:

- the required letters of representation being signed by the relevant parties, and
- receipt of the General Purpose Financial Statements certified by Council's Acting Mayor and Chief Executive Officer subsequent to the Audit and Governance Committee meeting on 29 October 2018.

4.6 Certification Statement of Independence of Council Auditor

Regulation 22 (5) of the Local Government (Financial Management) Regulations 2011 requires the auditor of a Council to provide a written statement attesting to their independence. Council's Auditor, BDO have provided their proposed Statement of Audit Independence in the Annual Audit Completion report, as prescribed in the Regulations. A signed version of the Statement to Council will be provided for inclusion in Council's financial statements as part of the finalisation of the audit.

Attachment 2

Regulation 21 (2) of the Local Government (Financial Management) Regulations 2011 requires the Council's Chief Executive Officer and the Presiding Member of the Audit Committee to provide a statement, on an annual basis, that the Council Auditor is independent of the Council for the relevant financial year.

Attachment 1

4.7 Centennial Park Financial Statements

A copy of Centennial Park Cemetery Authority's (CPCA) financial statements for 2017-18 is attached for information (Attachment 3 to Item 96/18). The financial statements show a Net Surplus of \$164K compared to \$264K for the previous year.

Trade and other payables have increased to \$2.31M for 2017-18 from \$1.56M in 2016-17. This increase to Liabilities primarily relates to growth in the total provision for accrued expenses \$402K, payments received in advance of \$210K and goods and services of \$154K.

The equity accounted value of CPCA reflected in the City of Unley's Statement of Financial Position has increased by \$82K.

4.8 Brown Hill Keswick Creek Financial Statements

A copy of Brown Hill Keswick Creeks Stormwater Board (BHKC) financial statements for 2017-18 is attached for information (Attachment 4 to Item 96/18). The financial statements show a Net Surplus of \$243K.

The BHKC Board was established 27 February 2018 by Gazettal, and is under the control of City of Adelaide, City of Burnside, City of Unley, City of Mitcham and City of West Torrens.

The equity accounted value of BHKC reflected in the City of Unley's Statement of Financial Position is \$49K.

5. ANALYSIS OF OPTIONS

Option 1 – The Audit and Governance Committee, having reviewed the City of Unley's 2017-18 General Purpose Financial Statements, contained in Attachment 1, and External Auditor BDO's Audit Completion Report contained in Attachment 2, considers that the 2017-18 General Purpose Financial Statements present fairly the state of affairs of Council and can be presented to Council for endorsement on 5 November 2018.

Considers that the City of Unley's 2017-18 General Purpose Financial Statements, contained in Attachment 1 to Item 96/18, can be certified by the Chief Executive Officer and the Acting Mayor.

Notes the draft Certification of Auditor Independence proposed by BDO as contained in Attachment 2 to Item 96/18, and the Certification of Auditor Independence contained in Attachment 1 to Item 96/18, is certified by the Chief Executive Officer and the Presiding Member of the Audit and Governance Committee.

Notes the Centennial Park General Purpose Financial Statements for 2017-18, signed by Centennial Park's External Auditor, contained in Attachment 3 to Item 96/18.

Notes the Brown Hill Keswick Creek General Purpose Financial Statements for 2017-18, signed by the subsidiaries External Auditor, contained in Attachment 4 to Item 96/18.

In accordance with *Section 126(4) of the Local Government Act 1999* the Audit and Governance Committee needs to review the General Purpose Financial Statements 2017-18 and be satisfied that the present fairly the state of affairs of Council in accordance with the *Local Government Act 1999, the Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.

Council will then be presented with the General Purpose Financial Statements at its November Special Council meeting for endorsement and, in accordance with legislation, a copy of the General Purpose Financial Statements will be sent to the Minister for Local Government and the SA Local Government Grants Commission.

The 2017-18 financial result is positive; Council continues to demonstrate that it is well positioned to continue to be financially sustainable into the future. Council will continue to review and monitor future financial results and its financial position in conjunction with its Long Term Financial Plan (LTFP).

Option 2 – The Audit and Governance Committee advises that it has reviewed the annual General Purpose Financial Statements of the Council for the financial year ended 30 June 2018 and is not satisfied that they present fairly the state of affairs of Council and require further review before presentation to Council

As a result, this may delay the endorsement of the 2017-18 General Purpose Financial Statements by Council and could impact on Council's legislative requirements in providing signed financial statements to the Minister for Local Government and the SA Local Government Grants Commission by 30 November 2018.

6. RECOMMENDED OPTION

Option 1 is the recommended option.

7. ATTACHMENTS

1. 2017-18 General Purpose Financial Statements.
2. City of Unley Audit Completion Report
3. Centennial Park General Purpose Financial Statements 2017-18.
4. Brown Hill Keswick Creek General Purpose Financial Statements 2017-18.

8. REPORT AUTHORISERS

<u>Name</u>	<u>Title</u>
Nicola Tinning	General Manager Business Support and Improvement
Peter Tsokas	Chief Executive Officer

The City of Unley

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

*Our City is recognised for its vibrant community spirit,
quality lifestyle choices, diversity, business strength and
innovative leadership.*



The City of Unley

General Purpose Financial Statements for the year ended 30 June 2018

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General Purpose Financial Statements

for the year ended 30 June 2018

Certification of Financial Statements

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

In our opinion:

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

Peter Tsokas
CHIEF EXECUTIVE OFFICER

Peter Hughes
ACTING MAYOR

Date: dd Month 2018

The City of Unley

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Income			
Rates Revenues	2a	40,010	38,585
Statutory Charges	2b	1,542	1,606
User Charges	2c	1,755	1,691
Grants, Subsidies and Contributions	2g	3,631	4,212
Investment Income	2d	14	20
Reimbursements	2e	423	466
Other Income	2f	940	783
Net Gain - Equity Accounted Council Businesses	19	131	132
Total Income		48,446	47,495
Expenses			
Employee Costs	3a	16,186	16,655
Materials, Contracts & Other Expenses	3b	20,003	18,701
Depreciation, Amortisation & Impairment	3c	8,011	7,265
Finance Costs	3d	225	310
Total Expenses		44,425	42,931
Operating Surplus / (Deficit)		4,021	4,564
Asset Disposal & Fair Value Adjustments	4	62	34
Amounts Received Specifically for New or Upgraded Assets	2g	798	367
Net Surplus / (Deficit) ¹		4,881	4,965
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Changes in Revaluation Surplus - I,PP&E	9a	(39,198)	(27,056)
Share of Other Comprehensive Income - Equity Accounted Council Businesses	19	26	4,245
Total Other Comprehensive Income		(39,172)	(22,811)
Total Comprehensive Income		(34,291)	(17,846)

¹ Transferred to Statement of Changes in Equity

The City of Unley

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	5a	3,107	29
Trade & Other Receivables	5b	1,884	2,383
Other Financial Assets	5c	12	12
Total Current Assets		5,003	2,424
Non-Current Assets			
Financial Assets	6a	9	18
Equity Accounted Investments in Council Businesses	6b	15,571	15,414
Infrastructure, Property, Plant & Equipment	7a	503,634	540,586
Total Non-Current Assets		519,214	556,018
TOTAL ASSETS		524,217	558,442
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8a	9,607	8,292
Borrowings	8b	3,619	4,153
Provisions	8c	2,379	2,350
Total Current Liabilities		15,605	14,795
Non-Current Liabilities			
Borrowings	8b	1,568	2,237
Provisions	8c	448	538
Other Non-Current Liabilities	8d	234	219
Total Non-Current Liabilities		2,250	2,994
TOTAL LIABILITIES		17,855	17,789
Net Assets		506,362	540,653
EQUITY			
Accumulated Surplus		145,159	140,252
Asset Revaluation Reserves	9a	361,203	400,401
Total Council Equity		506,362	540,653

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

\$ '000	Notes	Accumulated Surplus	Asset Revaluation Reserve	Total Equity
2018				
Balance at the end of previous reporting period		140,252	400,401	540,653
Opening Balance		140,252	400,401	540,653
a. Net Surplus / (Deficit) for Year		4,881	-	4,881
b. Other Comprehensive Income				
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(39,198)	(39,198)
- Share of OCI - Equity Accounted Council Businesses	19	26	-	26
Other Comprehensive Income		26	(39,198)	(39,172)
Total Comprehensive Income		4,907	(39,198)	(34,291)
Balance at the end of period		145,159	361,203	506,362
2017				
Balance at the end of previous reporting period		131,042	427,457	558,499
Opening Balance		131,042	427,457	558,499
a. Net Surplus / (Deficit) for Year		4,965	-	4,965
b. Other Comprehensive Income				
- Gain (Loss) on Revaluation of I,PP&E	7a	-	(27,056)	(27,056)
- Share of OCI - Equity Accounted Council Businesses	19	4,245	-	4,245
Other Comprehensive Income		4,245	(27,056)	(22,811)
Total Comprehensive Income		9,210	(27,056)	(17,846)
Balance at the end of period		140,252	400,401	540,653

The City of Unley

Statement of Cash Flows

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Cash Flows from Operating Activities			
<u>Receipts</u>			
Operating Receipts		54,288	48,110
Investment Receipts		14	20
<u>Payments</u>			
Operating Payments to Suppliers and Employees		(40,353)	(32,755)
Finance Payments		(278)	(344)
Net Cash provided by (or used in) Operating Activities	11b	13,671	15,031
Cash Flows from Investing Activities			
<u>Receipts</u>			
Amounts Received Specifically for New/Upgraded Assets		798	367
Sale of Replaced Assets		922	390
Repayments of Loans by Community Groups		9	11
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(7,654)	(8,811)
Expenditure on New/Upgraded Assets		(3,463)	(5,933)
Net Cash provided by (or used in) Investing Activities		(9,388)	(13,976)
Cash Flows from Financing Activities			
<u>Payments</u>			
Repayments of Borrowings		(2,211)	(1,018)
Repayment of Bonds & Deposits		(2)	-
Net Cash provided by (or used in) Financing Activities		(2,213)	(1,018)
Net Increase (Decrease) in Cash Held		2,070	37
plus: Cash & Cash Equivalents at beginning of period	11	(1,913)	(1,950)
Cash & Cash Equivalents at end of period	11	157	(1,913)
plus: Investments on hand - end of year	5a	12	12
Total Cash, Cash Equivalents & Investments		169	(1,901)

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

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n/a - not applicable

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

Note 1. Summary of Significant Accounting Policies

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

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

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.

1.4 Rounding

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

2 The Local Government Reporting Entity

The City of Unley is incorporated under the South Australian *Local Government Act 1999* and has its principal place of business at 181 Unley Road, Unley. These financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.

3 Income Recognition

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

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

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

	Cash Payment Received	Annual Allocation	Difference
2015/16	\$548,459	\$1,159,584	- \$611,125
2016/17	\$1,745,941	\$1,152,315	+\$593,626
2017/18	\$1,427,527	\$1,186,184	+/- \$241,343

Because these grants are untied, the Australian Accounting Standards require that payments be recognised upon receipt. Accordingly, the operating results of these periods have been distorted compared to those that would have been reported

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

Note 1. Summary of Significant Accounting Policies (continued)

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

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

4 Cash, Cash Equivalents and other Financial Instruments

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

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

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

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

5 Infrastructure, Property, Plant & Equipment

5.1 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.

5.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by 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.

Buildings	\$3,000
Drainage	\$3,000
Roads, Lanes, Kerb & Watertable	\$3,000
Pathways	\$3,000
Traffic & Lighting	\$3,000
Bridges	\$3,000
Other Assets	\$3,000
Recycled Water	\$3,000
Equipment, Furniture & Fittings - Other	\$3,000
Equipment, Furniture & Fittings - Computers	\$500

5.3 Subsequent Recognition

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

5.4 Depreciation of Non-Current Assets

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

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

Major depreciation periods for each class of asset are 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

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

Note 1. Summary of Significant Accounting Policies (continued)

should be used in interpreting financial information based on these estimates.

Equipment, Furniture & Fittings	1 to 10 years
Buildings	50 years
Building Fit Outs	15 years
Infrastructure:	
Roads, Lanes, Kerb & Watertable	20 to 100 years
Pathways	20 to 50 years
Drainage	35 to 100 years
Traffic and Lighting	5 to 20 years
Bridges	50 to 75 years
Recycled Water	5 to 100 years
Other Assets	5 to 20 years

5.5 Impairment

Assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if 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.

5.6 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.

6 Payables

6.1 Goods & Services

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

6.2 Payments Received in Advance & Deposits

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

7 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". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

8 Employee Benefits

8.1 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

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

Note 1. Summary of Significant Accounting Policies (continued)

respect of services provided by employees up to the reporting date. Present values are calculated using government guaranteed securities rates with similar maturity terms.

Weighted avg. discount rate 2.24% (2017, 2.14%)

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

8.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. No changes in accounting policy have occurred during either the current or previous reporting periods. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 18.

9 Equity Accounted Council Businesses

Council has a 50% share in the regional subsidiary, Centennial Park Cemetery Authority. Council's share has been recognised in the Financial Statements by including its share of the net assets within the Statement of Financial Position. The Change in the Equity share, including any asset revaluation, is disclosed in the Statement of Comprehensive Income. Details are reported in Note 19.

As a result of changes made to the Charter of Centennial Park on August 2011, all distributions paid to Council are recorded as revenue in the Statement of Comprehensive Income. Distributions paid by Centennial Park to Council are regarded as payments for guaranteeing the liabilities of Centennial Park and accordingly are treated as an expense in the Statement of Comprehensive Income in the Financial Statements of Centennial Park.

Council is party to an agreement with the Cities of Burnside, Mitcham, West Torrens and the Corporation of the City of Adelaide in relation to the Brown Hill Keswick Creek Project which is accounted for under AASB 11 Joint Arrangements as a joint

operation. As such, each Party is responsible for its own direct costs, and joint assets, revenue and expenses are shared on the basis set out in the agreement and Stormwater Management Plan documentation. Council's share has been recognised in the Financial Statements by including its share of joint revenue and expenditure in the Statement of Comprehensive Income and Council's share of joint assets within the Statement of Financial Position. Further details are provided in Note 19.

10 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.

11 New accounting standards and UIG Interpretations

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

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

This year Council has applied AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 for the first time.

Some Australian Accounting Standards and Interpretations have been issued but are not yet

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

Note 1. Summary of Significant Accounting Policies (continued)

effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective.

The standards that are expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments* This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*

Council has some leases that are not in the Statement of Financial Position. These will need to be included when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. If this requirement had been adopted at 30 June 2018 management estimate that net assets would have decreased by \$29,000. This estimate is based on council's current obligations and various market and other assumptions.

The standards are not expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

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

Note 1. Summary of Significant Accounting Policies (continued)

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 1059 *Service Concession Arrangements: Grantors (Appendix D)*

Effective for annual reporting periods beginning on or after 1 January 2021

- AASB 17 *Insurance Contracts*
- AASB 17 *Insurance Contracts (Appendix D)*

12 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.

13 Disclaimer

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

The City of Unley

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

Note 2. Income

\$ '000	Notes	2018	2017
(a). Rates Revenues			
General Rates			
General Rates		39,150	37,836
Less: Mandatory Rebates		(870)	(839)
Less: Discretionary Rebates, Remissions & Write Offs		(56)	(26)
Total General Rates		38,224	36,971
Other Rates (Including Service Charges)			
Natural Resource Management Levy		1,289	1,172
Separate & Special Rates		315	315
Total Other Rates		1,604	1,487
Other Charges			
Penalties for Late Payment		114	115
Legal & Other Costs Recovered		68	12
Total Other Charges		182	127
Total Rates Revenues		40,010	38,585
(b). Statutory Charges			
Other Licences, Fees & Fines		1,542	1,606
Total Statutory Charges		1,542	1,606
(c). User Charges			
Fees for services provided		1,755	1,691
Total User Charges		1,755	1,691
(d). Investment Income			
- Local Government Finance Authority		14	20
Total Investment Income		14	20
(e). Reimbursements			
Other		423	466
Total Reimbursements		423	466

The City of Unley

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

Note 2. Income (continued)

\$ '000	Notes	2018	2017
(f). Other Income			
Contributions, Rebates and Sundry		940	783
Total Other Income		940	783
(g). Grants, Subsidies, Contributions			
Amounts Received Specifically for New or Upgraded Assets		798	367
Other Grants, Subsidies and Contributions		3,631	4,212
Total Grants, Subsidies, Contributions		4,429	4,579
The functions to which these grants relate are shown in Note 12.			
(i) Sources of grants			
Commonwealth Government		1,969	1,985
State Government		1,660	2,131
Other		800	463
Total		4,429	4,579
(ii) Individually Significant Items			
Grant Commission (FAG) Grant Recognised as Income		644	593
On 22 June 2018 Council received payment of the first two installments of the 2018-19 Financial Assistance Grant (FAG). As has been done in the previous years, these amounts are recognised as income upon receipt. Similarly in June 2017 first two installments of 2017-18 grant was paid and recognised as income in that year.			
(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		133	15
<i>Less:</i>			
<i>Expended during the current period from revenues recognised in previous reporting periods</i>			
City Services		(30)	(15)
City Development		(103)	-
Subtotal		(133)	(15)
<i>Plus:</i>			
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>			
City Services		6	30
City Development		-	103
Subtotal		6	133
Unexpended at the close of this reporting period		6	133
Net increase (decrease) in assets subject to conditions in the current reporting period		(127)	118

The City of Unley

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

Note 3. Expenses

\$ '000	Notes	2018	2017
(a). Employee Costs			
Salaries and Wages		13,791	13,831
Employee Leave Expense		1,968	2,243
Superannuation - Defined Contribution Plan Contributions	18	1,417	1,395
Workers' Compensation Insurance		441	419
Less: Capitalised and Distributed Costs		(1,431)	(1,233)
Total Operating Employee Costs		16,186	16,655
Total Number of Employees (full time equivalent at end of reporting period)		178	179
(b). Materials, Contracts and Other Expenses			
(i) Prescribed Expenses			
Auditor's Remuneration			
- Current Year Audit Fees		33	32
- Other Services		31	-
Elected Members' Expenses		259	271
Subtotal - Prescribed Expenses		323	303
(ii) Other Materials, Contracts and Expenses			
Contracts		4,596	4,585
Waste Contract		3,321	3,147
Maintenance Contracts		2,763	2,666
Legal Expenses		303	233
Levies Paid to Government - NRM levy		1,285	1,176
Parts, Accessories & Consumables		3,307	3,175
Valuation Fees (Property for Rating Purposes)		180	172
Insurance (Workers Compensation, Public Liability, Assets)		659	588
Brownhill Keswick Creek Contributions		135	38
Levies & Taxes		246	252
Other Contributions & Donations		44	57
Printing		59	47
Sitting Fees		34	45
Trader Associations Contributions		317	313
Electricity		893	944
Advertising		213	190
Bank Fees & Charges		113	100
Community Program Expenses		601	215
Economic Development Program Expenses		24	22
Community Grants & Sponsorship		275	198
Sundry Materials, Contract & Expenses		312	235
Subtotal - Other Material, Contracts & Expenses		19,680	18,398
Total Materials, Contracts and Other Expenses		20,003	18,701

The City of Unley

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

Note 3. Expenses (continued)

\$ '000	Notes	2018	2017
(c). Depreciation, Amortisation and Impairment			
(i) Depreciation and Amortisation			
Stormwater Drainage		882	825
Roads, Lanes, Kerb & Watertable		1,916	1,192
Pathways		1,308	1,299
Traffic & Lighting		308	289
Bridges		133	131
Equipment, Furniture & Fittings		1,323	1,321
Buildings		1,327	1,305
Recycled Water		241	241
Other Assets		573	662
Total Depreciation, Amortisation and Impairment		8,011	7,265
(d). Finance Costs			
Interest on Loans		225	310
Total Finance Costs		225	310

Note 4. Asset Disposal & Fair Value Adjustments

Infrastructure, Property, Plant & Equipment

(i) Assets Renewed or Directly Replaced			
Proceeds from Disposal		922	356
Less: Carrying Amount of Assets Sold		(860)	(322)
Gain (Loss) on Disposal		62	34
Net Gain (Loss) on Disposal or Revaluation of Assets		62	34

The City of Unley

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

Note 5. Current Assets

\$ '000	Notes	2018	2017
(a). Cash & Cash Equivalents			
Cash on Hand at Bank		4	4
Deposits at Call		3,103	25
Total Cash & Cash Equivalents		3,107	29
(b). Trade & Other Receivables			
Rates - General & Other		572	759
Accrued Revenues		15	9
Debtors - General		1,246	1,335
Prepayments		31	269
Sundry		20	11
Total Trade & Other Receivables		1,884	2,383
(c). Other Financial Assets (Investments)			
Loans to Community Organisations		12	12
Total Other Financial Assets (Investments)		12	12

Amounts included in other financial assets that are not expected to be received within 12 months of reporting date are disclosed in Note 13

The City of Unley

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

Note 6. Non-Current Assets

\$ '000	Notes	2018	2017
(a). Financial Assets			
Receivables			
Loans to Community Organisations		9	18
Total Receivables		9	18
Total Financial Assets		9	18
(b). Equity Accounted Investments in Council Businesses			
Centennial Park Cemetery Authority	19	15,522	15,414
Total Equity Accounted Investments in Council Businesses		15,571	15,414

Within the terminology of Section 43 of the Local Government Act 1999, the Centennial Park Cemetery Trust Incorporated is a joint controlling authority of the City of Unley and the City of Mitcham each having a 50% interest in the assets, liabilities and operations of the Authority. The Authority was established in the cemetery industry and no financial contributions have been made to the Authority in the financial year. The City of Unley's investment in the Authority has been accounted for under the equity method (Note 19).

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

Note 7a. Infrastructure, Property, Plant & Equipment

\$ '000	Fair Value Level	as at 30/6/2017					Asset Movements during the Reporting Period									as at 30/6/2018				
		At Fair Value	At Cost	Accumulated		Carrying Value	Asset Additions		WDV of Asset Disposals	Depreciation Expense (Note 3c)	WIP Transfers	Adjustments & Transfers	Other Movements	Revaluation Decrements to Equity (ARR) (Note 9)	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated		Carrying Value
				Dep'n	Impairment		New / Upgrade	Renewals										Dep'n	Impairment	
Capital Work in Progress		-	4,217	-	-	4,217	-	-	-	-	(906)	-	-	-	-	-	3,313	-	-	3,313
Stormwater Drainage		80,712	-	39,059	-	41,653	-	933	-	(882)	-	-	-	-	-	80,712	933	39,941	-	41,704
Roads, Lanes, Kerb & Watertable		240,791	-	45,568	-	195,223	53	1,775	-	(1,916)	98	-	-	(49,635)	-	182,400	1,926	38,730	-	145,596
Pathways		55,480	198	24,761	-	30,917	-	1,165	-	(1,308)	-	-	-	-	-	56,616	228	26,069	-	30,775
Traffic & Lighting		5,574	826	1,558	-	4,842	838	125	-	(308)	(137)	-	-	-	-	5,574	1,653	1,866	-	5,361
Bridges		9,388	-	5,779	-	3,609	-	16	-	(133)	-	-	-	-	-	9,388	16	5,912	-	3,492
Land & Buildings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equipment, Furniture & Fittings		-	16,426	9,096	-	7,330	35	1,914	(281)	(1,323)	(117)	-	-	-	-	-	17,222	9,664	-	7,558
Land	2	43,316	2,597	-	-	45,913	-	-	(500)	-	-	-	-	-	2,699	48,112	-	-	-	48,112
Land	3	152,649	-	-	-	152,649	-	-	-	-	-	1,254	-	-	15,188	169,091	-	-	-	169,091
Buildings	2	50,779	5,849	27,026	-	29,602	2,076	896	(79)	(409)	(2,028)	(1,254)	(12,959)	(7,450)	-	26,810	-	18,415	-	8,395
Buildings	3	16,605	-	8,405	-	8,200	-	-	-	(918)	-	-	12,959	-	-	47,589	-	27,349	-	20,240
Recycled Water		11,858	-	537	-	11,321	-	-	-	(241)	-	-	-	-	-	11,858	-	779	-	11,079
Other Assets		10,751	-	5,640	-	5,111	461	829	-	(573)	3,090	-	-	-	-	10,795	4,336	6,213	-	8,918
Total Infrastructure, Property, Plant & Equipment		677,903	30,113	167,429	-	540,586	3,463	7,653	(860)	(8,011)	-	-	-	(57,085)	17,887	648,945	29,627	174,938	-	503,634
Comparatives		684,543	34,172	158,212	-	560,503	5,932	8,811	(322)	(7,265)	-	(16)	-	(28,780)	1,724	677,903	30,113	167,429	-	540,586

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

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

\$ '000

Valuation of Assets

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

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

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

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

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

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

Information on Valuations

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

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

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

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

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

The City of Unley

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

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

\$ '000

Valuation of Assets (continued)

Other Information

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

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

Highest and best use

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

Transition to AASB 13 - Fair Value Measurement

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

Land, Buildings and Structures

- Date of valuation: 30 June 2018
- Valuer: Public Private Property
- All acquisitions made after the valuation date are recorded at cost.

The following provides a summary of the City of Unley's asset classes together with the Public Private Property opinion of the Fair Value Hierarchy relevant to each asset group based on the quantum of observable inputs involved in the valuation relative to observable inputs.

Land : Excluded / Revoked from classification as community land - Level 2 inputs

Land : Community Land classification - Level 3 inputs

Buildings : Market Approach - Level 2 inputs

Buildings : Cost Approach (excluding highly specialised and/or heritage listed Buildings) - Level 2 inputs

Buildings : Cost Approach (inclusive of highly specialised and/or heritage listed Buildings) - Level 3 inputs

Valuations techniques used to measure fair value within Level 2, including a description of the significant input used

Land : Excluded / Revoked from classification as community land

The valuation of all Excluded / Revoked Land has been undertaken using the Market Approach, more specifically the Direct Comparison method of valuation and by reference to comparable market data.

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

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

\$ '000

Valuation of Assets (continued)

Land, Buildings and Structures (continued)

Buildings : Market Approach

A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.

Buildings : Cost Approach (excluding highly specialised and/or heritage listed Buildings)

The calculated value is based on Replacement Costs data sourced from the Public Private Property Replacement Costs Database and/or Rawlinsons Australia Construction Handbook 2017.

Valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationships between unobservable inputs and fair value.

Asset Type	Valuation Technique
Land	Market Approach using the Direct Comparison Method of valuation by reference to comparable market data and subsequently adjusted to reflect the level of risk associated with alienating the Land to make it available for disposal.
Land - Structures	Market Approach using the Direct Comparison Method of valuation by reference to comparable market data and subsequently adjusted to reflect the level of risk associated with alienating the Land to make it available for disposal.
Buildings	Cost Approach using the Replacement Costs data sourced from Public Private Property Replacement Costs Database, recent constructions by local government and/or Rawlinson's Australia Construction Handbook 2013. The unique nature of such buildings and the lack of definitive valuation inputs results in some variance to rates adopted.

Council being of the opinion that it is not possible to attribute a value that is sufficient and reliable 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.

Estimated future costs of reinstatement of land, capitalised in accordance with AASB 116.16(c), are reviewed annually (see Note 1) and depreciated over the estimated remaining life of the relevant asset.

Buildings & Other Structures

- Basis of valuation: Fair Value / Market Value / Written down current replacement cost
- Date of valuation: 30 June 2018.
- Valuer: Public, Private, Property PTY LTD.

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

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

\$ '000

Valuation of Assets (continued)

Infrastructure

Roads, Kerb and Gutter, Footpaths

- Date of valuation: 01 July 2017
- Valuer: Pavement Management Services & Assetic
- Basis of Valuation : Consumption based approach to the valuation of the pavement and surface assets was developed in order to more closely reflect the life cycle of the assets.

The decrease in the valuation of the network is a result of updating the calculations used to determine depth of the road and the unit rates used.

- All acquisitions made after the valuation date are recorded at cost.
- The result of the revaluation has increased depreciation by an \$724k for the 2017-18 year. Replacement values have been updated to reflect improved data on construction practices. Useful lives have been revised to reflect how the assets have behaved over time and also benchmarking with similar municipalities. Also residual values previously used on formation and pavement have now been removed.

Pathways (Footpaths, Car Parks, Bike Paths)

- Date of valuation: 1 July 2014
- Valuer: IMG
- Basis of valuation: Level 3, please refer to summary table below
- All acquisitions made after the valuation date are recorded at cost.

Drainage (Stormwater Drains & Creeks)

- Date of valuation: 30 June 2017
- Valuer: Tonkin Consulting
- Basis of valuation: Level 3, please refer to summary table below
- The result of the revaluation will be to increase depreciation by an estimated \$57k for the 2017-18 year. This is as a result of an update of unit rates used across the drainage network and work done on Kenilworth Road during 2016-17.
- All acquisitions made after the valuation date are recorded at cost.

Traffic and Lighting (Traffic Control, Street Lighting, Bus Stops)

- Date of valuation: 30 June 2015
- Valuer: Internal Council valuation
- Basis of valuation: Written down current replacement cost discounted for age and condition
- All acquisitions made after the valuation date are recorded at cost.

Bridges

- Date of valuation: 30 June 2017
- Valuer: Tonkin Consulting
- Basis of valuation: Level 3, please refer to summary table below
- The result of the revaluation will be to increase depreciation by an estimated \$2k for the 2017-18 year.

Recycled Water

- Date of valuation: 30 June 2016
- Valuer: Internal Council valuation
- Basis of valuation: Cost

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

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

\$ '000

Valuation of Assets (continued)

Other Assets (Open Space and Reserve Equipment)

- Date of valuation: 30 June 2017
- Valuer: Calibre
- Basis of valuation: Level 3, please refer to summary table below
- All acquisitions made after the valuation date are recorded at cost.

Valuation Techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationships between unobservable inputs and fair value.

Asset Type	Valuation Technique
Infrastructure - Pathways - Other Assets	Depreciated Replacement Cost (DRC) being the current replacement cost on an asset less, where applicable, accumulated depreciation calculated on the basis of such costs to reflect the already consumed or expired future economic benefits of the assets.
Infrastructure - Bridges	Current Replacement Cost (CRC) of the infrastructure asset minus any accumulated depreciation and impairment losses. Field inspections provided certainty of the type and condition of the assets. However, due to lack of information on bridge replacement costs at the time of valuation factored have been applied to industry rates to provide the replacement cost based on the professional judgement and experience of the Tonkin Consulting engineers.
Infrastructure - Drains	Current Replacement Cost (CRC) of the infrastructure asset minus any accumulated depreciation and impairment losses. The valuation of assets were based on rates provided by the 2014 Rawlinson's handbook and rates obtained from Humes.

Note 8. Liabilities

\$ '000	Notes	2018	2018	2017	2017
		Current	Non Current	Current	Non Current
Goods & Services		4,618	-	4,909	-
Payments Received in Advance		3,060	-	46	-
Accrued Expenses - Employee Entitlements		1,352	-	1,454	-
Accrued Expenses - Finance Costs		58	-	111	-
Accrued Expenses - Other		509	-	1,760	-
Deposits, Retentions & Bonds		10	-	12	-
Total Trade and Other Payables		9,607	-	8,292	-

The City of Unley

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

Note 8. Liabilities

\$ '000	Notes	2018 Current	2018 Non Current	2017 Current	2017 Non Current
(b). Borrowings					
Bank Overdraft		91	-	54	-
Short Term Draw Down Facility		2,859	-	1,888	-
Loans		669	1,568	2,211	2,237
Total Borrowings		3,619	1,568	4,153	2,237
(c). Provisions					
Employee Entitlements (including oncosts)		2,379	448	2,350	538
Total Provisions		2,379	448	2,350	538
(d). Other Liabilities					
Carpark Contribution Fund		-	157	-	154
Urban Tree Fund		-	77	-	65
Total Other Liabilities		-	234	-	219

Note 9. Reserves

\$ '000	1/7/2017	Increments (Decrements)	Transfers	Impairments	30/6/2018
(a). Asset Revaluation Reserve					
Stormwater Drainage	21,760	-	-	-	21,760
Roads, Lanes, Kerb & Watertable	126,592	(49,635)	-	-	76,957
Pathways	17,668	-	-	-	17,668
Traffic & Lighting	2,680	-	-	-	2,680
Bridges	2,453	-	-	-	2,453
Land	187,588	17,887	-	-	205,475
Buildings	33,066	(7,450)	-	-	25,616
Recycled Water	847	-	-	-	847
Other Assets	583	-	-	-	583
JV's / Associates - Other Comprehensive Income	7,164	-	-	-	7,164
Total Asset Revaluation Reserve	400,401	(39,198)	-	-	361,203
Comparatives	427,457	(27,056)	-	-	400,401

The City of Unley

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

Note 10. Assets Subject to Restrictions

\$ '000

The nature of some of the City of Unley's assets, and in particular Centennial Park, is such that they have restricted use either because of legal restrictions, heritage or community expectation so that these assets would continue to be held for the benefit of the community.

Note 11. Reconciliation to Statement of Cash Flows

\$ '000

Notes

2018

2017

(a). Reconciliation of Cash

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

Total Cash & Equivalent Assets	5	3,107	29
Less: Short-Term Borrowings	8	(2,950)	(1,942)
Balances per Statement of Cash Flows		157	(1,913)

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

Net Surplus/(Deficit)		4,881	4,965
Non-Cash Items in Income Statements			
Depreciation, Amortisation & Impairment		8,011	7,265
Equity Movements in Equity Accounted Investments (Increase)/Decrease		(131)	(132)
Grants for Capital Acquisitions (Treated as Investing Activity Receipts)		(798)	(367)
Net (Gain) Loss on Disposals		(62)	(34)
Net Increase/(Decrease) in Unpaid Employee Benefits		-	270
Expense of Capital Item		-	(16)
		11,901	11,951
Add (Less): Changes in Net Current Assets			
Net (Increase)/Decrease in Receivables		499	1,789
Net Increase/(Decrease) in Trade & Other Payables		1,317	1,279
Net Increase/(Decrease) in Unpaid Employee Benefits		(61)	-
Net Increase/(Decrease) in Other Liabilities		15	11
Net Cash provided by (or used in) operations		13,671	15,031

(c). Financing Arrangements

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

Bank Overdrafts	500	500
Corporate Purchase Cards	297	215
LGFA Cash Advance Debenture Facility	12,000	12,000

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

The City of Unley

Notes to and forming part of the Financial Statements

for the year ended 30 June 2018

Note 12a. Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 12(b).									
	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017	Actual 2018	Actual 2017
\$ '000										
Office of the CEO	696	709	3,348	3,579	(2,652)	(2,870)	6	3	15,571	15,414
City Development	1,962	2,277	21,664	21,146	(19,702)	(18,869)	966	1,291	479,951	519,938
Business Support & Improvement	41,062	39,723	7,848	7,322	33,214	32,401	1,046	1,186	8,345	5,154
City Services	4,595	4,786	11,565	10,884	(6,970)	(6,098)	1,613	1,731	20,350	17,882
Total Functions/Activities	48,315	47,495	44,425	42,931	3,890	4,564	3,631	4,211	524,217	558,442

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

The City of Unley

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

Note 12b. Components of Functions

\$ '000

The activities relating to Council functions are as follows:

OFFICE OF THE CEO

Business & Economic Development Program, Economic Development, Economic Development & Planning, Governance & Risk, Marketing & Communications, Office of the CEO, Strategic Projects

CITY DEVELOPMENT

City Development Management, Environmental Initiatives, Operational Services, Property Services, Recreation & Sport Planning, Strategic Asset Management, Transportation & Traffic, Urban Design, Urban Policy & Planning, Waste Management

BUSINESS SUPPORT & IMPROVEMENT

Business Support & Improvement Management, Business Systems & Solutions, Corporate Activities, Culture & Business Capability, Finance & Procurement, Human Resources

CITY SERVICES

Active Aging Program, Animal Management, Arts & Cultural Development, City Services Management, Community Bus Program, Community Centres, Community Development & Wellbeing Management, Community Events, Community Grants, Customer Experience, Development Services, Library Services, Parking Enforcement, Public & Environmental Health, Unley Museum, Unley Swimming Centre, Volunteer Development, Youth Development

Note 13. Financial Instruments

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1.5% and 2.15% (2017: 1.5% and 2.25%). Short term deposits have an average maturity of 30 days and an average interest rate of 1.5% (2017: 30 days and 2%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

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

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Receivables

Rates & Associated Charges

(including legals & penalties for late payment)

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

Accounting Policy:

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 6.75% (2017: 6.75%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Fees & Other Charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables

Other Levels of Government

Accounting Policy:

Carried at nominal value.

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

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

Note 13. Financial Instruments (continued)

\$ '000

Recognised Financial Instruments

Liabilities

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:

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 3.6% and 6.7% (2017: 4% and 7.08%).

Carrying Amount:

Approximates fair value.

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

Note 13. Financial Instruments (continued)

\$ '000	Due < 1 year	Due > 1 year & ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
2018					
Financial Assets					
Cash & Equivalents	3,107	-	-	3,107	3,107
Receivables	1,281	9	-	1,290	1,290
Other Financial Assets	12	-	-	12	12
Total Financial Assets	4,400	9	-	4,409	4,409
Financial Liabilities					
Payables	6,547	-	-	6,547	6,547
Current Borrowings	3,714	-	-	3,714	3,619
Non-Current Borrowings	-	1,186	593	1,779	1,568
Total Financial Liabilities	10,261	1,186	593	12,040	11,734
2017					
Financial Assets					
Cash & Equivalents	(25)	-	-	(25)	29
Receivables	1,373	-	-	1,373	1,373
Other Financial Assets	12	-	-	12	12
Total Financial Assets	1,360	-	-	1,360	1,414
Financial Liabilities					
Payables	8,246	-	-	8,246	8,246
Current Borrowings	4,099	-	-	4,099	4,153
Non-Current Borrowings	-	442	1,795	2,237	2,237
Total Financial Liabilities	12,345	442	1,795	14,582	14,636

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

	30 June 2018		30 June 2017	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Overdraft		91		54
Other Variable Rates	3.60%	2,859	3.75%	1,888
Fixed Interest Rates	4.45%	2,237	6.12%	4,448
		5,187		6,390

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.

The City of Unley

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

Note 13. Financial Instruments (continued)

\$ '000

Risk Exposures

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

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

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

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

Note 14. Commitments for Expenditure

\$ '000

Notes

2018

2017

(a). Capital Commitments

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

Infrastructure	1,436	806
Other	385	436
	<u>1,821</u>	<u>1,242</u>

These expenditures are payable:

Not later than one year	1,772	1,242
Later than one year and not later than 5 years	49	-
Later than 5 years	-	-
	<u>1,821</u>	<u>1,242</u>

The City of Unley

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

Note 14. Commitments for Expenditure (continued)

\$ '000	Notes	2018	2017
(b). Other Expenditure Commitments			
Other expenditure committed for (excluding inventories) at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		-	31
Waste Management Services		971	3,300
Other Maintenance Contracts		1,695	552
IT Maintenance Contracts		92	19
		2,758	3,902
These expenditures are payable:			
Not later than one year		2,758	2,422
Later than one year and not later than 5 years		-	1,480
Later than 5 years		-	-
		2,758	3,902

The City of Unley was party to a Memorandum of Agreement with the Cities of Adelaide, Burnside and West Torrens in which the councils together with the City of Mitcham, established primarily for the planning and construction of flood mitigation infrastructure of a Stormwater Management Plan (SMP) for the Brown Hill and Keswick Creek catchment and providing for reuse of stormwater where feasible.

Since 2010, the five catchment councils have responded to direction from the Stormwater Management Authority (SMA) to produce an agreed SMP catering for the critical one in 100 year storm. In 2012 the Councils produced a SMP which was approved by the SMA and gazetted in March 2013. However the Plan required further investigations in relation to a flood mitigation design solution for upper Brown Hill Creek.

Subsequently, the 2016 SMP, updated from the 2012 version and incorporated a solution for the upper Brown Hill Creek (increasing the creek's flow capacity together with general rehabilitation of the creek) was submitted to the SMA in March 2016 and was approved. This was gazetted in February 2017. At the same time the State Government confirmed that it would contribute 50% of the cost, and this offer was accepted by the five catchment councils. the SMP proposes that the three spheres of government (federal, state and local) will each subscribe one third of the cost.

Project works under the 2016 SMP have an estimated cost of \$140 million and a planned 10 year construction period. The Councils and the State Government continue to seek Commonwealth assistance as proposed in the SMP. Unley's share of the local government component is set at 21%, which equates to approximately \$15 million based on a 50% local government apportionment.

The Brownhill Kewswick Creeks Storm Water Board was established as a regional subsidiary pursuant to section 43 of Schedule 2 to, the Local Government Act 1999, on 27 February 2018. The Memorandum of Agreement (MOA) that catered for the relationships between the Councils contained a self-executing provision that terminated the MOA on the establishment of the Subsidiary.

Statements for the subsidiary have been prepared for the period between 27 February 2018 and 30 June 2018 to reflect the activities of the entity. Unley continues to act in an implied agency capacity for the subsidiary.

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

Note 15. Financial Indicators

	Amounts	Indicator	Prior Periods	
\$ '000	2018	2018	2017	2016

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

1. Operating Surplus Ratio

Operating Surplus	4,021	8%	10%	6%
Total Operating Income	48,446			

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

2. Net Financial Liabilities Ratio

Net Financial Liabilities	12,843	27%	32%	29%
Total Operating Income	48,446			

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

Adjustments to Ratios

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

Adjusted Operating Surplus Ratio	7%	8%	7%
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3. Asset Sustainability Ratio

Net Asset Renewals	6,732	84%	116%	81%
Infrastructure & Asset Management Plan required expenditure	8,011			

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

The City of Unley

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

Note 16. Uniform Presentation of Finances

\$ '000	2018	2017
<p>The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.</p> <p>All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.</p> <p>The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.</p>		
Income	48,446	47,495
less Expenses	(44,425)	(42,931)
Operating Surplus / (Deficit)	4,021	4,564
Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	(7,654)	(8,811)
<i>add back</i> Depreciation, Amortisation and Impairment	8,011	7,265
<i>add back</i> Proceeds from Sale of Replaced Assets	922	390
Subtotal	1,279	(1,156)
Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	(3,463)	(5,933)
<i>add back</i> Amounts Received Specifically for New and Upgraded Assets	798	367
<i>add back</i> Proceeds from Sale of Surplus Assets (including Investment Property & and Real Estate Developments)	-	-
Subtotal	(2,665)	(5,566)
Net Lending / (Borrowing) for Financial Year	2,635	(2,158)
Net Financial Liabilities at Beginning of Year		
Net (gain) / loss Joint Ventures & Associates	(15,200)	(13,042)
Decrease / (increase) in Other	-	-
Net Financial Liabilities at End of Year	(12,565)	(15,200)

Note 17. Operating Leases

Council does not have any Operating Leases

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

Note 18. Superannuation

\$ '000

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2017/18; 9.50% in 2016/17). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2016/17) of "superannuation" salary.

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

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

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

Contributions to Other Superannuation Schemes

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

The City of Unley

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

Note 19. Interests in Other Entities

\$ '000

Joint Operation - Brown Hill Keswick Creek Project

The City of Unley was party to a Memorandum of Agreement (MOA) with the Cities of Adelaide, Burnside and West Torrens which the councils together with the City of Mitcham were collaborating in a project to establish a regional subsidiary primarily for the planning and construction of flood mitigation infrastructure of a Storm Water Management Plan (SMP) for the Brown Hill and Keswick Creeks catchment and providing for reuse of stormwater where feasible.

The agreement also provided for a Steering Group with representatives of each Council to progress investigations, designs and works identified in the SMP, prior to establishment of the regional subsidiary. The City of Mitcham was also represented on this Steering Group.

The Project was jointly managed by the five Councils, with assets, revenue and expenses shared on the basis set out in the Agreement and SMP. Council's share of the Project's assets are included in Note 7 of the Financial Statements. The City of Unley's share of revenue and expenses of the Project are included in Note 2 and 3 of the financial Statements respectively. Each Party is responsible for its own internal costs of the Project.

Under the MOA, the City of Unley acted as "Host" to the Project, providing for the administration and coordination of the performance of the Agreement including:

- arranging the preparation of documents,
- entering into agreements with third parties as directed by the Steering Group,
- keeping records,
- project management,
- holding moneys contributed by the Councils and other parties and
- disbursement of payments as directed by the Steering Group.

Under Australian Accounting Standards, the City of Unley should only recognise transactions from activities it controls. It is considered that the City of Unley does not control the Brown Hill Keswick Creek Project. Therefore City of Unley, in its role as host does not recognise payments made on behalf of the Project nor contributions received from other Councils in its Statement of Comprehensive Statement or Statement of Financial Position.

The Brown Hill and Kewswick Creeks Stormwater Board subsidiary was established pursuant to Schedule 2 of the Local Government Act 1999, on 27 February 2018. For the period ended 26 February 2018, the Brown Hill Keswick Creek Project made disbursements of \$304k and received contributions of \$112k.

Equity Accounted Council Business - Centennial Park

Within the terminology of Section 43 of the Local Government Act 1999, the Centennial Park Cemetery Trust Incorporated is a joint controlling authority of the City of Unley and the City of Mitcham each having a 50% interest in the assets, liabilities and operations of the Authority. The Authority was established in the cemetery industry and no financial contributions have been made to the Authority in the financial year. The City of Unley's investment in the Authority has been accounted for under the equity method.

The City of Unley

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

Note 19. Interests in Other Entities (continued)

\$ '000

Equity Accounted Council Business - Brownhill Keswick Creek

The Brown Hill Kewswick Creeks Stormwater Board was established on the 27 February 2018 under section 43 of the Local Government Act 1999 and it has been recognised as a jointly controlled subsidiary of the City of Unley, City of Burnside, City of Mitcham, City of Adelaide and City of West Torrens each having a 20% interest in the assets, liabilities and operations of the Subsidiary. The City of Unley's investment in the subsidiary has been accounted for under the Equity method.

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

	Council's Share of Net Income		Council's Share of Net Assets	
	2018	2017	2018	2017
Associates	131	132	15,493	15,414
Total	131	132	15,571	15,414

(i) JOINT VENTURES, ASSOCIATES AND JOINT OPERATIONS

(a) Carrying Amounts

Name of Entity	Principal Activity	2018	2017
Brown Hill Keswick Creek Board	Stormwater Management	49	-
Centennial Park Cemetery Authority	Cemetery Industry	15,522	15,414
Total Carrying Amounts - Joint Ventures & Associates		15,571	15,414

(b) Relevant Interests

Name of Entity	Interest in Operating Result		Ownership Share of Equity		Proportion of Voting Power	
	2018	2017	2018	2017	2018	2017
Brown Hill Keswick Creek Board	20%		20%		20%	
Centennial Park Cemetery Authority	50%	50%	50%	50%	50%	50%

(c) Movement in Investment in Joint Venture or Associate

	Brown Hill Keswick Creek Board		Centennial Park Cemetery Authority	
	2018	2017	2018	2017
Opening Balance	-	-	15,414	11,037
Share in Operating Result	49	-	82	132
Share in Other Comprehensive Income	-	-	26	4,245
Council's Equity Share in the Joint Venture or Associate	49	-	15,522	15,414

The City of Unley

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

Note 19. Interests in Other Entities (continued)

\$ '000

(d) Summarised Financial Information of the Equity Accounted Business

Statement of Financial Position	Brown Hill Keswick Creek Board		Centennial Park Cemetery Authority	
	2018	2017	2018	2017
Cash and Cash Equivalents	-	-	9,797	10,638
Other Current Assets	-	-	1,747	1,395
Non-Current Assets	249	-	36,973	35,436
Total Assets	249	-	48,517	47,469
Current Trade and Other Payables	6	-	2,308	1,562
Current Provisions	-	-	534	465
Non-Current Provisions	-	-	14,632	14,614
Total Liabilities	6	-	17,474	16,641
Net Assets	243	-	31,043	30,827
Statement of Comprehensive Income				
	2018	2017	2018	2017
Other Income	407	-	10,239	9,924
Interest Income	-	-	249	259
Total Income	407	-	10,488	10,183
Employee Costs	-	-	4,368	4,131
Materials, Contracts & Other Expenses	164	-	4,513	4,196
Depreciation, Amortisation and Impairment	-	-	1,490	1,553
Total Expenses	164	-	10,371	9,880
Operating Result	243	-	117	303

Contingent Liabilities of the Associate

Each Member is Jointly and Severally Liable for the Debts of the Operation

- arising from Council's Share of Associate
- arising from Joint and Several Liability of all Members

The Centennial Park Cemetery Authority has contingent liabilities with respect to the redemption of unused licences in the event that the Authority ceases to take any business. The Burial and Cremation Act 2013 mandates the refund of unexercised licences at current prices less a provision for administration, maintenance and establishment costs. The calculation is determined in the regulations. The contingent liability as at 30 June 2018 is \$11,927,978 (2017: \$11,823,040). An actual liability will only arise if a claim is made by existing licence holders in the future. Based on the Board's understanding of the experience of Cemetery operators interstate when similar legislation was introduced, it is considered that the likelihood of future claims arising which could have a significant impact on Centennial Park is remote.

Total unused interment rights account for approximately 7.10% (2017: 7.10%) of 46,658 (2017: 47,508) burial interment rights currently issued.

Total unused interment rights account for approximately 7.28% (2017: 7.40%) of 38,960 (2017: 40,490) memorial interment rights currently issued. Once an interment or placement of a monument has occurred a licence cannot be redeemed.

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

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

\$ '000

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

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

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

1. LAND UNDER ROADS

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

At reporting date, Council controlled 167.2 km of road reserves of average width 12 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. LEGAL MATTERS

Council is the planning consent authority for its area under the Development Act 1993 (as amended). Pursuant to that Act, certain persons aggrieved by a planning decision of the Council may appeal. It is normal practice that parties bear their own legal costs. At the date of these reports, Council had notice of 2 appeals against planning decisions made prior to reporting date. All known costs have been recognised, but the amount of further costs cannot be known until the appeals are determined.

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

Note 22. Events after the Balance Sheet Date

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

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

Accordingly, the "authorised for issue" date is dd/mm/yy.

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

Note 23. Related Party Transactions

\$ '000	2018	2017
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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, 18 persons were paid the following total compensation:

The compensation paid to Key Management Personnel comprises:

Short-Term Employee Benefits	890	939
Long-Term Benefits	165	155
Total	1,055	1,094

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

Receipts from Key Management Personnel comprise:

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

Total	-	-
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Other Related Party Transactions:

Other than amounts paid or received as ratepayers or residents, Council receive or paid the following amounts in total:

Total	-	-
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The City of Unley

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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The City of Unley

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Financial Statements

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The City of Unley

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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The City of Unley

General Purpose Financial Statements for the year ended 30 June 2018

Auditor's Report - Internal Controls

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The City of Unley

General Purpose Financial Statements

for the year ended 30 June 2018

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of The City of Unley for the year ended 30 June 2018, the Council's Auditor, BDO 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*.

Peter Tsokas

CHIEF EXECUTIVE OFFICER

John Rawson

PRESIDING MEMBER, AUDIT COMMITTEE

Date: **2018**

The City of Unley

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Auditor

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

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

Geoff Edwards
BDO

Dated this day of 2018.

CITY OF UNLEY

Audit Completion Report

Year ended 30 June 2018



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

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

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

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

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



KEY ACCOUNTING AND AUDIT MATTERS



KEY ACCOUNTING AND AUDIT MATTERS

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

Significant risks of material misstatement

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

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

Description	Findings and conclusion
Council's infrastructure, property, plant and equipment are carried at valuation. There is a risk that these balances are misstated as a result of the application of inappropriate valuation methodologies, or incorrect underlying assumptions.	<p>This year revaluations have been undertaken for land & buildings and roads, based on independent valuations undertaken by Public Private Property; and Assetic. We have evaluated each of the firm's competence, capability and objectivity, obtained an understanding of their work, and evaluated its appropriateness.</p> <p>We have reviewed the detailed independent revaluation reports provided by each of the two experts, and discussed these with management to obtain an understanding of the process that management has undertaken to validate the source data and inputs used by the valuers, the methodologies they have applied, and the assumptions they have made in arriving at the final valuations.</p> <p>No exceptions were noted.</p>



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

Description	Findings and conclusion
There is a risk of error in the calculation of grant income recognised and deferred at year end by reference to grant agreements and Australian Accounting Standards.	Note 1.3 draws attention to an amount of \$241,343 untied Financial Assistance Grant for the year ending 30 June 2019, received in advance during the year ended 30 June 2018. No exceptions were noted in this regard.

Accounting treatment of capital work in progress

Description	Findings and conclusion
There is a risk that the accounting treatment of items captured within capital WIP may not be in accordance with Australian Accounting Standards.	<p>We have obtained the WIP Schedule and reviewed in detail a sample of projects outstanding as at the end of the year for evidence they are likely to ultimately represent assets that can be capitalised.</p> <p>We performed sample testing of asset transfers out of capital WIP to confirm that categorisation and value allocated to assets are appropriate. No exceptions were noted.</p>

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Management override of internal control

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

Accounting treatment Centennial Park Cemetery Authority

Description	Findings and conclusion
There is a potential risk in relation to the accounting treatment and disclosure of amounts relating to Council's interest in Centennial Park Cemetery Authority, including any changes occurring during the year, may not be in accordance with Australian Accounting Standards.	<p>We obtained the statutory financial statements for Centennial Park Cemetery Authority for the year ended 30 June 2018 and confirmed that City of Unley have correctly accounted for and disclosed their ownership interest in accordance with the audited reported position of the Authority.</p> <p>No exceptions were noted.</p>



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Uncorrected misstatements

We detail below the uncorrected misstatements which we have identified during the audit, and that were determined by management to be immaterial, both individually and in aggregate to the financial report taken as a whole.

Misstatements have not been included if they are considered to be clearly trivial which we have set at \$40,000. Matters which are clearly trivial are regarded as clearly inconsequential when taken individually or in aggregate.

We will seek representation from management to acknowledge that:

- Uncorrected misstatements have been brought to their attention by us; and
- They have considered the effect of any uncorrected misstatements, aggregated during and pertaining to the latest period, on the financial report and consider the misstatements are immaterial individually and in aggregate to the financial report taken as a whole.

Description	Assets	(Liabilities)	Reserves	(Profit)/Loss
Credit balances in rates receivable	328,564	(328,564)	-	-
Net effect of uncorrected misstatements	328,564	(328,564)	-	-

SUMMARY OF MISSTATEMENTS

Corrected misstatements

We did not identify any disputed matters that were corrected as a result of the audit. A number of final adjustments were made subsequent to the start of the final audit visit as management finalised the year-end reporting process.



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INTERNAL CONTROL



INTERNAL CONTROL

Current year

We have a responsibility to provide an audit report in which we express a conclusion on the Council's compliance with Section 125 of the Local Government Act 1999 in relation to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law in all material respects.

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

The standard defines a deficiency in internal control as follows:

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

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

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



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Internal control risk assessment

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

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

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

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

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	Other deficiencies in internal control	Potential effects	Recommendation	Management comments
1	A long term employee (45 years) did not have any documentation on their employment file in relation to the deductions being made from their wages.	There is the potential for unauthorised deductions to be taken from employee wages.	Regular reviews of employee files are performed to ensure that the appropriate records are kept.	This is an outlier. All other files contain signed documentation for deductions and changes.
2	A small number of employee leave balances were being incorrectly calculated within the payroll system, which caused a minor variance between the value of the leave recorded within the general ledger and the payroll system.	There is the potential for employees to take / be paid out more leave than they have actually accrued.	Spot checks of individual leave balances are undertaken to ensure that the correct leave is being calculated.	A full audit to be carried out in January 2019.

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	Other deficiencies in internal control	Potential effects	Recommendation	Management comments
3	No proper reconciliation was performed between the fixed asset register and the general ledger at year-end, as the register was not updated for additions during the year.	There is a potential risk that information is incorrectly reflected in the asset register or general ledger.	The fixed asset register should be updated and reconciled to the general ledger on a regular basis (e.g. quarterly).	Asset registers will be updated quarterly. A consultant will be engaged to assist with clean up in November 18.
4	Out of a sample of 14 assets, 3 were not depreciated at the rate per the stated asset accounting policy.	There is a potential risk that assets are incorrectly depreciated using the wrong useful life.	Review the asset accounting policy to ensure that the useful lives reflected are accurate and consistent with what is being used.	Long life assets are depreciated in line with condition reports. Long life asset depreciation considers maintenance of the asset and its consumption.
5	Out of a sample of 10 asset disposals, we could not find disposal plan with proper approval for 2 vehicles disposed during the year.	There is a potential risk that assets are disposed without appropriate authority.	Review documentation processes in relation to disposal of assets.	Procurement have met with the Depot in regards to asset disposal. Plan will be completed for all future disposals.

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Follow up on prior year findings

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

	Description of matter	Date previously communicated	Current status
1	It was noted for the month of August 2016 and for one reconciliation prepared for September 2016, that a reconciliation for accrued expenses was not prepared.	2017 Audit Completion Report	No such occurrence was noted during the 2018 audit.
2	It was noted on a sample of assets that depreciation was not being calculated in line with the accounting policy.	2017 Audit Completion Report	No such occurrence was noted during the 2018 audit.

INTERNAL CONTROL

IT General Control Review

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

	Description of improvement opportunity	Management comments
1	Individual unique user accounts be used for the TechOne vendor staff, so activities can be associated with an individual person. At a minimum, a log should be kept of which individual accessed the account and when.	<p>New users/contractors would have a standard login. We will establish contractor profiles for AP and consultants ie:</p> <ul style="list-style-type: none"> - Techone consultant - Name - AP contractor - Name <p>And then disable the user but not the profile on the completion of the project.</p>

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	Description of improvement opportunity	Management comments
2	TechOne vendor user accounts are not placed in the network super-user domain group, so they don't have system-wide privileges outside of the TechOne application. If the vendor requires tasks to be performed as part of a TechOne upgrade or maintenance activities, this should be requested through the regular change process through the IT group, using the Change Form or a ticket in the ticketing system	Vendors must contact IT to gain access to the server, however TechOne will always have access to the program as they designed it and therefore have their own logins.
3	Formalise new and modified user access to TechOne with the use of a specific form, listing the various financial modules and manager approval, which is more difficult to mimic than an email request.	New users are established through induction process, access forms will be added as part of the automation of this process.
4	Formalise the termination of user access to TechOne with the creation of a User Access Disablement Form and ensure it is processed on the user's last day.	Exit process - to be added to exit checklist.
5	Ensure Active Directory (AD) credentials are used for single sign-on to TechOne as part of the project scheduled for 2-3 months' time.	Will be part of the single sign on project.
6	Increase general understanding and education around benefits of strong passwords.	Posters to educate staff and password restriction facilitate this.

INTERNAL CONTROL

IT General Control Review (Cont.)

	Description of improvement opportunity	Management comments
7	Develop profiles for the various roles, taking into consideration segregation of duties where appropriate. Configure access around these roles rather than on an individual basis.	This has commenced and is 60% complete, roll out will continue and anticipated completion is Dec 19.
8	Identify and review the tasks that require Segregation of Duties, and ensure the rules flow through to User Access to financial modules in TechOne.	Will need to complete an audit of Admin functions to remove any segregation of duty breaches. To be completed by July 19, as part of control track review.



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INDEPENDENT AUDITOR'S REPORT

TO THE PRINCIPAL MEMBER OF CITY OF UNLEY

Report on the Audit of the Financial Report

Opinion

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

In our opinion the financial report of City of Unley, presents fairly, in all material respects, the Council's financial position as at 30 June 2018 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the Local Government Act 1999, and the Local Government (Financial Management) Regulations 2011.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Council in accordance with the Local Government Act 1999 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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



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Council's responsibility for the Financial Report

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

In preparing the financial report, the Council's officers are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council's officers either intend to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

BDO Audit (SA) Pty Ltd

G K Edwards
Director

Adelaide, XX October 2018



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DRAFT INDEPENDENT ASSURANCE REPORT
ON THE INTERNAL CONTROLS OF CITY OF UNLEY

Opinion

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

In our opinion, in all material respects:

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

Basis for opinion

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

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

The Council's Responsibility for the Internal Controls

The Council is responsible for:

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



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

Our Independence and Quality Control

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

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

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



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Limitations of controls

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

An assurance engagement on operating effectiveness of controls is not designed to detect all instances of controls operating ineffectively as it is not performed continuously throughout the period and the tests performed are on a sample basis. Any projection of the outcome of the evaluation of controls to future periods is subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

BDO Audit (SA) Pty Ltd

G K Edwards

Director

Adelaide, XX October 2018



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Auditor independence declaration

We set out below our draft Auditor independence declaration.

CERTIFICATION OF AUDITOR INDEPENDENCE

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

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

G K Edwards
Director

BDO Audit (SA) Pty Ltd
Adelaide, XX October 2018



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Ethics and independence matters

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

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

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

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

Non-compliance with laws and regulations

We have made enquiries in relation to any non-compliance with laws and regulations during the course of our audit. We have not identified any instances of non-compliance with laws and regulations as a result of our enquiries, other than in relation to the failure to prepare financial statements by the prescribed day (being the second Friday in September) as required under section 127(2)(a) of the Local Government Act 1999.

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

Fraud

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

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



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New developments

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

Impairment testing

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

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

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



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New developments (continued)

New income recognition standard - AASB 1058

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

AASB 1058 establishes principles and guidance when accounting for:

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

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

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

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

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



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New developments (continued)

New income recognition standard - AASB 1058 (continued)

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

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

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

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

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



Audit status



Key accounting and audit matters



Summary of misstatements



Internal control

Appendices

Proposed audit report 1

Independence declaration 2

Other communications 3

New developments 4

APPENDIX 4

AASB 16 How does it impact you?

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

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

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

Exceptions

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

Main implications

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

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

Please contact your partner to discuss implementation issues.



Audit status



Key accounting and audit matters



Summary of misstatements



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

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ANNUAL ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

Centennial Park Cemetery Authority

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Centennial Park Cemetery Authority**General Purpose Financial Reports
for the year ended 30 June 2018**TABLE OF CONTENTS

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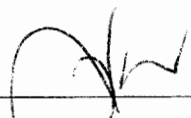
CENTENNIAL PARK CEMETERY AUTHORITY

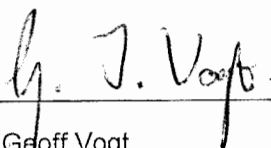
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018

CERTIFICATION OF FINANCIAL STATEMENTS

We have been authorised by the Centennial Park Cemetery Authority 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 the Australian Accounting Standards.
- The financial statements present a true and fair view of the Authority's financial position at 30 June 2018 and the results of its operations and cash flows for the financial year.
- Internal controls implemented by the Authority provide a reasonable assurance that the Authority's financial records are complete, accurate and reliable and were effective throughout the financial year.
- The financial statements accurately reflect the Authority's accounting and other records.



Janet Miller
CHIEF EXECUTIVE OFFICER

Geoff Vogt
CHAIR OF THE BOARD

Dated this day of August 2018

Centennial Park Cemetery Authority

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Income			
User charges - Sales	2	10,238,964	9,924,155
Investment income	2	248,883	259,550
Total Income		10,487,847	10,183,705
Expenses			
Employee costs	3	4,368,239	4,131,208
Materials, contracts & other expenses	3	4,512,534	4,196,181
Depreciation, amortisation & impairment	3	1,490,169	1,553,349
Total Expenses		10,370,942	9,880,738
Operating Surplus / (Deficit)		116,905	302,968
Net gain (loss) on disposal or revaluation of assets	4	47,130	(38,738)
Net Surplus / (Deficit)		164,035	264,230
Other Comprehensive Income			
Changes in revaluation surplus	7	-	8,489,891
Total Other Comprehensive Income		-	8,489,891
Total Comprehensive Income		164,035	8,754,121

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

Centennial Park Cemetery Authority
STATEMENT OF FINANCIAL POSITION
as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	9,796,520	10,637,562
Trade & Other Receivables	5	850,275	698,029
Inventories	5	896,377	697,444
Total Current Assets		11,543,172	12,033,035
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	7	36,404,152	34,678,586
Other Non-current Assets	6	569,152	757,447
Total Non-current Assets		36,973,304	35,436,033
TOTAL ASSETS		48,516,476	47,469,068
LIABILITIES			
Current Liabilities			
Trade & Other Payables	8	2,307,824	1,562,305
Provisions	8	533,701	465,394
Total Current Liabilities		2,841,525	2,027,699
Non-Current Liabilities			
Provisions	8	14,631,636	14,614,170
Total Non-current Liabilities		14,631,636	14,614,170
TOTAL LIABILITIES		17,473,161	16,641,869
Net Assets		31,043,315	30,827,199
EQUITY			
Contributed Equity	16	48,702	48,702
Accumulated Surplus		7,684,666	7,520,631
Asset Revaluation Reserve	9	23,227,097	23,227,097
Other Reserves	9	82,850	30,769
Total Authority Equity		31,043,315	30,827,199

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

Centennial Park Cemetery Authority

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2018

	Notes	Accumulated Surplus \$	Asset Revaluation Reserve \$	Other Reserves \$	Contributed Equity	TOTAL EQUITY \$
2018						
Balance at end of previous reporting period		7,520,631	23,227,097	30,769	48,702	30,827,199
Net Surplus / (Deficit) for Year		164,035	-	-	-	164,035
Other Comprehensive Income Transfers Between Reserves		-	-	52,081	-	52,081
Balance at end of period		7,684,666	23,227,097	82,850	48,702	31,043,315
2017						
Balance at end of previous reporting period		7,633,085	14,360,522	30,769	48,702	22,073,078
Net Surplus / (Deficit) for Year		264,230	-	-	-	264,230
Other Comprehensive Income						
Gain on revaluation of infrastructure, property, plant & equipment		-	8,489,891	-	-	8,489,891
Impairment (expense) / recoupments offset to asset revaluation reserve		(376,684)	376,684	-	-	-
Balance at end of period		7,520,631	23,227,097	30,769	48,702	30,827,199

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

Centennial Park Cemetery Authority

STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

		2018	2017
		\$	\$
Cash Flows from Operating Activities	Notes		
<u>Receipts</u>			
Operating Receipts		10,086,718	10,855,280
Investment Receipts		248,883	259,550
<u>Payments</u>			
Operating Payments to Suppliers & Employees		(8,200,434)	(8,514,936)
Net Cash provided by (or used in) Operating Activities	10	2,135,167	2,599,894
Cashflow from Investing Activities			
<u>Receipts</u>			
Sale of Replaced Assets		98,499	131,020
<u>Payments</u>			
Expenditure on Renewal/Replacement of Assets		(2,555,834)	(936,332)
Expenditure on New/Upgraded assets	14	(518,874)	(693,513)
Net Cash provided by (or used in) Investing Activities		(2,976,209)	(1,498,825)
Cashflow from Financing Activities			
Net Cash provided by (or used in) Financing Activities		-	-
Net Increase (Decrease) in Cash Held		(841,042)	1,101,069
Cash & Cash Equivalents at beginning of period		10,637,562	9,536,493
Cash & Cash Equivalents at end of period		9,796,520	10,637,562

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Centennial Park Cemetery Authority ("the Authority") as an individual entity and regional subsidiary in South Australia under the Local Government Act.

The Authority is a regional subsidiary under the Local Government Act 1999 jointly controlled by the City of Mitcham and the City of Unley.

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

This general purpose financial report has been prepared 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 31 August 2018.

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates, and requires management to exercise its judgement in applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of these Notes.

The Board evaluates estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Authority.

Key Estimates – Future Upkeep Provision

In relation to the Future Upkeep Provision recognised in the financial statements the Board have calculated the balance on the following basis:

Current costs have been applied to an anticipated future level of service based on reduced activity at the Authority. This includes estimating reductions in administration, staffing, gardening and maintenance costs for burial and memorial maintenance.

These estimated unit costs for memorials and burials were then discounted according to the expiry year of the interment right as the basis for measurement of the provision.

The underlying basis for this calculation has been adopted by the Board and included in the Future Upkeep Provision Policy which is reviewed periodically.

1.4 Rounding

All amounts in the financial statements have been rounded to the nearest dollar.

2 The Reporting Entity

The Centennial Park Cemetery Authority is established under the SA Local Government Act 1999 and has its principal place of business at 760 Goodwood Road, Pasadena.

The principal activities relating to the Authority's functions are:

Provision of cremation, cemetery, chapel services and memorial garden facilities.

3 Income recognition

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

All revenue is recognised when the transaction is completed. Cremation, burial interment and monumental permit fees are recognised when the service is performed. Plaque and base sales are recognised when payment is received. Cemetery and memorial interment right fees are regarded as the sale of the right of interment to the purchaser. The transaction is considered complete once the right of interment is granted and does not constitute a rental agreement. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

4 Cash, Cash Equivalents and other Financial Instruments

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

All receivables are reviewed as at the reporting date and adequate allowance made for amounts the receipt of which is considered doubtful. As at 30th June 2018 there were no doubtful debts (2017: \$0.00).

All financial instruments are recognised at fair value at the date of recognition. A detailed statement of the accounting policies applied to financial instruments forms part of Note 11.

5 Inventories

All inventories are valued at the lower of cost or net realisable value. Costs are assigned on a specific identification basis and include costs and appropriate overheads if any.

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

Capital works still in progress at balance date are recognised as other non-current assets and transferred to infrastructure, property, plant & equipment when completed and ready for use.

6.2 Materiality

The current policy is to expense all capital items less than \$1,000.

6.3 Subsequent Recognition

Certain 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 for a number of asset classes including land, buildings and other 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 the Authority, best reflects the consumption of the service potential embodied in those assets.

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

Plant, Furniture & Equipment	
Plant & Equipment	2.5 to 10 years
Building & Other Structures	
Buildings	20 to 70 years
Other Structures	5 to 25 years
Infrastructure	
Infrastructure	12 to 100 years
Other Assets	
Motor Vehicles	4 to 10 years

6.5 Impairment

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

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 outflows 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 the Asset Revaluation Reserve, any excess being recognised as an expense.

Land used for cemetery purpose is zoned Institutional and subject to legislative restrictions and considered to be impaired.

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 within 30 days after the month of invoice. No interest is payable on these amounts.

7.2 Payments Received in Advance & Deposits

Amounts received from external parties in advance of service delivery are recognised as liabilities until the service is delivered, or the amount is refunded as the case may be.

8 Employee Benefits

8.1 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 on costs) measured in accordance with AASB 119.

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 on costs) 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 on costs) 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.

Present values are calculated using the 10 year government bond rate – weighted average of 2.20% (2017: 2.69%)

No accrual is made for sick leave as the Authority 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. The Authority does not make payment for untaken sick leave, except when a staff member leaves and within 13 weeks of having done so, is engaged by an entity covered by the Local Government Act (SA) 1999.

8.2 Superannuation

The Authority makes employer superannuation contributions in respect of its employees to Statewide Superannuation Scheme (the Scheme), and other superannuation schemes selected by employees under the "choice of fund" legislation. The Scheme has two types of membership, each of which is funded differently. Details are included in Note 15.

9 Leases

Lease arrangements have been accounted for in accordance with Australian Accounting Standard AASB 117. Lease payments are charged to expense over the lease term.

10 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.

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the item of expense.

11 Comparative Information

Comparative information has been reclassified to be consistent with the current year disclosure of equivalent information in accordance with AASB 101.

12 Future Upkeep Provision

Interment Rights are issued for varying terms from 25 years up to and including perpetuity. Interment Rights can be extended for a minimum of five years. Interment Right holders have an expectation that the Park environs will be maintained to an appropriate standard for the interment right period. The Authority considers this to be a constructive obligation.

In accordance with AASB 137 "Provisions, Contingent Liabilities and Contingent Assets" a provision is recognised when there is a legal or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required and that outflow can be reliably measured.

If the effect is material, a provision is determined by discounting the expected future cash flows required to settle the obligation at a rate that reflects current market assessments of the time value of money. The amount of the obligation is based on an independent actuarial calculation of current constructive obligations, technology and price levels. The provision is recognised fully in the financial statements on the basis of this calculation.

Actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions and can take place many years in the future. The carrying value of the provision is regularly reviewed and adjusted to take into account such change.

In general, the further into the future that a cash outflow for a liability is expected to occur, the greater the degree of uncertainty around the amount and timing of that cash outflow.

A change in the estimate of a recognised provision or liability would result in a charge or credit to the Statement of Comprehensive Income, in the period in which the change occurs.

13 Payments to Constituent Councils

A Liability Guarantee fee of \$616,047 was paid to the Constituent Councils (2017 Liability Guarantee Fee (\$400,016)).

14 Income Tax

Centennial Park is exempt from Income Tax by virtue of it satisfying the provisions of section 24AR of the Income Tax Assessment Act 1936 so as to constitute a State/Territory body (an STB).

15 New Accounting Standards

Certain new accounting standards and UIG interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been used in preparing these reports.

AASB7	Financial Instruments – Disclosures
AASB9	Financial Instruments
AASB15	Revenue from Contracts with Customers
AASB16	Leases
AASB1058	Income of Not-for-Profit Entities

Standards containing consequential amendments to other Standards and Interpretations arising from the above - AASB 2010-7, AASB 2014-1, AASB 2014-3, AASB 2014-4, AASB 2014-5, AASB 2014-6, AASB 2014-7, AASB 2014-8, AASB 2014-9, AASB 2014-10, AASB 2015-1, AASB 2015-2, AASB 2015-3, AASB 2015-4, AASB 2015-5, AASB 2015-6 and AASB 2015-7.

(Standards not affecting local government have been excluded from the above list.)

The Authority is of the view that other than AASB 15 and AASB 16, none of the above new standards or interpretations will affect any of the amounts recognised in the financial statements, but that they may impact certain information otherwise disclosed.

The Authority is currently reviewing the introduction of AASB 15 and AASB 16 which may have a material impact on the financial reports for 2019/20.

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 2 - INCOME

	Notes	2018 \$	2017 \$
USER CHARGES - SALES			
Cremation		1,553,477	1,468,646
Burial		1,884,068	1,719,658
Burial and Memorial Interment Fees		4,792,866	4,904,216
Chapel Fees		1,369,391	1,207,922
Sundry		639,162	623,712
		<u>10,238,964</u>	<u>9,924,155</u>
INVESTMENT INCOME			
Interest on Investments			
Local Government Finance Authority		181,889	120,794
Banks & Other		66,994	138,757
		<u>248,883</u>	<u>259,550</u>

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 3 - EXPENSES

	Notes	2018 \$	2017 \$
EMPLOYEE COSTS			
Salaries and Wages		3,657,127	3,087,103
Employee leave expense		315,392	571,819
Superannuation - defined contribution plan contributions	15	371,990	369,766
Workers' Compensation Insurance		106,287	118,675
Other			
Less: Capitalised and distributed costs		(82,557)	(16,155)
Total Operating Employee Costs		4,368,239	4,131,208
 Total Number of Employees		 51	 49
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		16,500	16,000
Subtotal - Prescribed Expenses		16,500	16,000
<u>Other Materials, Contracts & Expenses</u>			
Contractors		656,580	653,004
Energy		273,346	213,439
Insurance		83,878	94,164
Maintenance		590,589	589,801
Legal Expenses		38,155	47,008
Parts, accessories & consumables		1,716,776	1,457,765
Professional services		277,413	337,843
Sundry		243,250	387,139
Individually Significant Items			
- Liability Guarantee		616,047	400,016
Subtotal - Other Materials, Contracts & Expenses		4,496,034	4,180,181
		4,512,534	4,196,181
INDIVIDUALLY SIGNIFICANT ITEMS			
Liability Guarantee Fee		616,047	400,016

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 3 - EXPENSES (cont)

	Notes	2018 \$	2017 \$
DEPRECIATION, AMORTISATION & IMPAIRMENT			
Depreciation			
Buildings & Other Structures		282,481	306,843
Infrastructure		740,249	655,658
Plant & Equipment		305,164	428,975
Other Assets		162,275	161,873
		<u>1,490,169</u>	<u>1,553,349</u>

Note:

There is no Impairment that affects the Statement of Comprehensive Income.

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 4 - ASSET DISPOSAL & FAIR VALUE ADJUSTMENTS

	Notes	2018 \$	2017 \$
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets Renewed or Directly Replaced</i>			
Proceeds from disposal		98,499	131,020
Less: Carrying amount of assets sold		51,369	169,758
Gain (Loss) on Disposal		47,130	(38,738)
 Net Gain (Loss) on Disposal or Revaluation of Assets		 47,130	 (38,738)

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 5 - CURRENT ASSETS

	2018	2017
CASH & CASH EQUIVALENTS	\$	\$
Cash on Hand and at Bank	201,089	168,881
Deposits at Call	1,095,431	868,681
Short Term Deposits & Bills, etc	8,500,000	9,600,000
	<u>9,796,520</u>	<u>10,637,562</u>
 TRADE & OTHER RECEIVABLES		
Debtors - General	680,094	506,258
Prepayments & Other Receivables	170,181	191,771
Total	<u>850,275</u>	<u>698,029</u>
 INVENTORIES		
Stores & Materials	5,939	78,926
Trading Stock	890,438	618,518
	<u>896,377</u>	<u>697,444</u>

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 6 - NON-CURRENT ASSETS

	2018	2017
OTHER NON-CURRENT ASSETS		
Capital Works-in-Progress	569,152	757,447
	<u>569,152</u>	<u>757,447</u>

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Note 7 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	Fair Value Level	as at 30 June 2017				Asset Additions				Revaluation Increments to Equity (ARR)	as at 30 June 2018			
		At Fair Value	At Cost	Accumulated Dep'n	Carrying Amount	New / Upgrade	Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3)		Adjustments & Transfers	At Fair Value	At Cost	Accumulated Dep'n
Land	2	5,650,000	-	-	5,650,000	-	-	-	-	-	5,650,000	-	-	5,650,000
Land	3	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings & Other Structures	2	25,000	104,390	(258)	129,132	490,118	12,222	-	(5,707)	-	25,000	606,730	(5,965)	625,765
Buildings & Other Structures	3	20,317,672	-	(7,438,084)	12,879,588	-	-	-	(276,774)	-	20,317,672	-	(7,714,958)	12,602,814
Infrastructure	2	25,000	272,142	(889)	296,453	1,085,823	757,223	-	(16,020)	1,601	25,000	2,116,789	(16,708)	2,125,080
Infrastructure	3	52,050,057	-	(37,584,747)	14,465,310	10,010	235,699	-	(724,229)	2,489	51,997,160	-	(38,007,860)	13,989,290
Plant & Equipment	-	-	2,867,519	(2,288,784)	578,735	79,188	341,711	(8,120)	(305,164)	-	-	3,228,545	(2,542,195)	686,350
Motor Vehicles	-	-	1,351,283	(671,915)	679,368	27,255	223,764	(43,249)	(162,275)	-	-	1,350,012	(625,159)	724,853
Total Infrastructure, Property, Plant & Equipment		78,067,729	4,595,334	(47,984,477)	34,678,586	1,692,394	1,570,609	(51,369)	(1,490,169)	4,100	78,014,822	7,302,076	(48,912,746)	36,404,152
Comparatives		39,487,182	4,298,241	(17,477,704)	26,307,719	693,513	910,570	(169,758)	(1,553,349)	-	78,067,729	4,595,334	(47,984,477)	34,678,586

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 8 - LIABILITIES

	Notes	2018		2017	
		\$		\$	
		Current	Non-current	Current	Non-current
TRADE & OTHER PAYABLES					
Goods & Services		488,788	-	334,621	-
Payments Received in Advance		742,236	-	532,327	-
Accrued expenses - Employee Entitlements		164,257	-	143,382	-
Accrued expenses - Other		668,460	-	287,316	-
Other		244,083	-	264,659	-
		<u>2,307,824</u>	<u>-</u>	<u>1,562,305</u>	<u>-</u>
PROVISIONS					
Employee entitlements (including oncosts)		533,701	69,636	465,394	57,670
Heritage Monuments Restoration		-	36,000	-	30,500
Future Upkeep Provision		-	14,526,000	-	14,526,000
		<u>533,701</u>	<u>14,631,636</u>	<u>465,394</u>	<u>14,614,170</u>

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 9 - RESERVES

ASSET REVALUATION RESERVE	01-Jul-17	Net Increments (Decrements)	Transfers	30-Jun-18
Notes	\$	\$	\$	\$
Land	3,743,237	-	-	3,743,237
Buildings & Other Structures	7,907,528	-	-	7,907,528
Infrastructure	11,576,332	-	-	11,576,332
Total Asset Revaluation Reserve	23,227,097	-		23,227,097
Comparatives	14,360,522	8,489,891	376,684	23,227,097

OTHER RESERVES	01-Jul-17	Transfers to Reserve	Transfers from Reserve	30-Jun-18
E M M Kay	30,769	-	(50)	30,719
Recycled Metals Charitable Reserve	-	52,131	-	52,131
Total Other Reserves	30,769	52,131	(50)	82,850
Comparatives	30,769	-	-	30,769

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

E M M Kay Reserve

A reserve has been recognised for a bequest received from the estate of a deceased interred at the Park to maintain the site. The Board has resolved that the expenses incurred on an annual basis maintaining the site will be charged against the reserve. Interest accrued from the reserve will be absorbed in general operating revenue to offset the administration of the same. During Financial Year 2015/16 the interment right for E M M Kay was converted to perpetuity and costs offset against the reserve.

Recycled Metals Charitable Reserve

Funds received from the recycling of metal plaques have been directed to a reserve to be used for philanthropic and charitable purposes.

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 10 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash		2018	2017
	Notes	\$	\$
Total cash & equivalent assets	5	9,796,520	10,637,562
Balances per Cash Flow Statement		<u>9,796,520</u>	<u>10,637,562</u>
(b) Reconciliation of Change in Net Assets to Cash from Operating Activities			
Net Surplus (Deficit)		164,035	264,230
Non-cash items in Income Statement			
Depreciation, amortisation & impairment	3	1,490,169	1,553,349
Net increase (decrease) in unpaid employee benefits		101,148	(29,362)
Net (Gain) Loss on Disposals	4	(47,130)	38,738
		<u>1,708,222</u>	<u>1,826,955</u>
Add (Less): Changes in Net Current Assets			
Net (Increase) decrease in receivables		(173,836)	(34,021)
Net (increase) decrease in inventories		(198,933)	62,497
Net (increase) decrease in other current assets		21,590	73,890
Net increase (decrease) in trade & other payables		154,167	635,898
Net increase (decrease) in other provisions		570,477	34,675
Net increase (decrease) in other liabilities		53,480	-
Net Cash provided by (or used in) operations		<u>2,135,167</u>	<u>2,599,894</u>
(c) Financing Arrangements			
Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdrafts		50,000	50,000
Corporate Credit Cards		30,000	30,000

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

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 11 - FINANCIAL INSTRUMENTS

Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: Carried at lower of cost and net realisable value; Interest is recognised when earned.</p> <p>Terms & conditions: Deposits are returning fixed interest rates at an average interest rate of 2.34% (2017: 2.80%). Short term deposits are held either in LGFA or NAB at call and term deposit accounts.</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Fees & other charges	<p>Accounting Policy: Carried at nominal values less any allowance for doubtful debts. An allowance for doubtful debts is recognised (and re-assessed annually) when collection in full is no longer probable.</p> <p>Terms & conditions: Unsecured, and do not bear interest.</p> <p>Carrying amount: Approximates fair value (after deduction of any allowance).</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: Approximates fair value.</p>

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 11 (cont.) - FINANCIAL INSTRUMENTS

Liquidity Analysis

2018	Floating Interest Rate	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$	\$
Cash Assets	1,296,520	8,500,000	-	-	9,796,520	9,796,520
Receivables	680,094	-	-	-	680,094	680,094
Total	1,976,614	8,500,000	-	-	10,476,614	10,476,614
Financial Liabilities						
Payables					1,475,107	1,475,107
Total	-	-	-	-	1,475,107	1,475,107
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,976,614	8,500,000	-	-	9,001,507	9,001,507

2017	Floating Interest Rate	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial Assets	\$	\$	\$	\$	\$	\$
Cash Assets	1,037,562	9,600,000	-	-	10,637,562	10,637,562
Receivables	-	-	-	-	506,258	506,258
Total	1,037,562	9,600,000	-	-	11,143,820	11,143,820
Financial Liabilities						
Payables					1,131,605	1,131,605
Current Borrowings	-	-	-	-	-	-
Total	-	-	-	-	1,131,605	1,131,605
EXCESS OF FINANCIAL ASSETS OVER LIABILITIES	1,037,562	9,600,000	-	-	10,012,215	10,012,215

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 11 (cont.) - FINANCIAL INSTRUMENTS

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 Authority.

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 Authority is the carrying amount, net of any allowance for doubtful debts. There are Authority investments 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 Authority'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 the Authority'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 the Authority 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. The Authority also has a range of bank overdraft that it can access.

Interest Rate Risk is the risk that future cash flows will fluctuate because of changes in market interest rates. Most of the Authority's financial instruments - both assets and liabilities are at fixed rates. Any such variations in future cash flows will not be material in effect on either the Authority incomes or expenditures.

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 12 - COMMITMENTS FOR EXPENDITURE

	2018	2017
<u>Notes</u>	\$	\$
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings & Other Structures	498,720	11,216
Infrastructure	232,100	77,013
Plant & Equipment	58,866	53,925
	<u>789,686</u>	<u>142,154</u>
These expenditures are payable:		
Not later than one year	789,686	128,154
Later than one year and not later than 5 years	-	14,000
Later than 5 years	-	-
	<u>789,686</u>	<u>142,154</u>

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 JUNE 2018

Note 13 - FINANCIAL INDICATORS

Amounts	Indicator	Prior Periods
2018	2018	2017 2016

The following indicators have been calculated in accordance with the procedures set out in *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.

Operating Surplus Ratio

Operating Surplus	164,035		
Total Operating Revenue	10,487,847	1.56%	2.59% 1.35%

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

Net Financial Liabilities Ratio

Net Financial Liabilities	6,826,366		
Total Operating Revenue	10,487,847	65.09%	51.91% 59.39%

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

Asset Sustainability Ratio

Net Asset Renewals	1,570,609		
Depreciation and amortisation	1,490,169	105.40%	51.84% 47.37%

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

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 14 - UNIFORM PRESENTATION OF FINANCES

The following is a high level summary of both operating and capital investment activities of the Authority prepared on a uniform and consistent basis.

All Councils and in South Australia voluntarily 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.

The Authority has provided this information for the purpose of consolidation by the two constituent Councils.

	2018 \$	2017 \$
Income	10,487,847	10,183,705
less Expenses	(10,370,942)	(9,880,738)
Operating Surplus / (Deficit)	116,905	302,968
less Net Outlays on Existing Assets		
Capital Expenditure on Renewal and Replacement of Existing Assets	2,555,834	936,332
less Depreciation, Amortisation and Impairment	(1,490,169)	(1,553,349)
less Proceeds from Sale of Replaced Assets	(98,499)	(131,020)
	967,166	(748,037)
less Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets (including Investment Property & Real Estate Developments)	518,874	693,513
	518,874	693,513
Net Lending / (Borrowing) for Financial Year	(1,369,135)	357,492

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 15 – SUPERANNUATION

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

Marketlink (Accumulation Fund) Members

Marketlink receives both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of employee earnings in accordance with superannuation guarantee legislation (9.50% in 2017/18; 9.50% in 2016/17). No further liability accrues to the Authority 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. The Authority makes employer contributions to Salarylink as determined by the Scheme's Trustee based on advice from the Scheme's Actuary. The rate is currently 6.3% (6.3% in 2016/17) of "superannuation" salary. Effective from 24 November 2009 the Defined Benefit Plan was closed to new members.

In addition, the Authority makes a separate contribution of 3% of salary of Salarylink members to their Marketlink account. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

The Salarylink Fund is a multi-employer sponsored plan. As the Fund's assets and liabilities are pooled and are not allocated by each employer, the Actuary is unable to allocate benefit liabilities, assets and costs between employers. As provided by AASB 119.32(b), the Authority does not use defined benefit accounting for these contributions.

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

Contributions to Other Superannuation Schemes

The Authority 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 Authority.

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 16 - CONTRIBUTED EQUITY

	2018	2017
Contributed Equity	\$	\$
City of Unley	9,333	9,333
City of Mitcham	9,333	9,333
Premium - City of Mitcham	30,036	30,036
Total Contributed Equity	48,702	48,702

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 17 - CONTINGENCIES & ASSETS & LIABILITIES NOT RECOGNISED IN THE BALANCE SHEET

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

1. CONTINGENT LIABILITY

The Authority has contingent liabilities with respect to the redemption of unused interment rights. The Burial and Cremation Act 2013 mandates the refund of unexercised interment rights at current prices less a provision for administration, maintenance and establishment costs; the calculation is determined in the regulations. The contingent liability as at the 30th June 2018 is \$11,927,978. An actual liability will only arise if a claim is made by existing interment right holders in the future. Based on the Board's understanding of the experience of Cemetery operators interstate when similar legislation was introduced, it is considered that the likelihood of future claims arising which could have a significant impact on Centennial Park is remote.

Total unused interment rights account for approximately 7.10% of 46,658 burial interment rights currently issued.

Total unused interment rights account for approximately 7.28% of 38,960 memorial interment rights currently issued.

Once an interment or placement of a monument has occurred an interment right cannot be redeemed.

2. BANK OVERDRAFT

The Authority has a bank overdraft facility of \$50,000.

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 18 - FUTURE COMMITMENTS

An arrangement is available to the public whereby any service currently offered by the Authority is capable of being prepaid.

Some funds were paid to Funeral Plan Management Pty Ltd with income to the Authority being recorded only when the service has been provided. Funds under management by Funeral Plan Management Pty Ltd at 30 June 2018 total \$756,620 (2017 \$816,796). From 1st December 2014 pre-paid products were no longer paid to Funeral Plan Management Pty Ltd.

Note 19 – SEGMENT REPORTING

The Authority operates in one business and geographical segment being burials, cremations and memorials within South Australia.

Centennial Park Cemetery Authority

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30 June 2018

Note 20 - RELATED PARTY TRANSACTIONS

Transactions with Key Management Personnel

The Key management Personnel of the Authority includes the Board, CEO and senior managers
In all, 12 persons were paid the following total compensation.

	2018	2017
	\$	\$
Salaries, allowances & other short term benefits	706,716	798,193

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

No key management personnel or parties related to them had any transactions during the year on terms more favourable than those available to the general public.

Transactions with Council Entities

The Authority's Constituent Councils are:

- The City of Mitcham
- The City of Unley

Councils have influence on the financial and strategic operational decisions of the Authority given their equal Board member representation.

No one Member Council individually has control over these decisions.

During the year Liability Guarantee payments were made to the two Constituent Councils to the total value of \$616,047 (2016/17 \$400,016).


Centennial Park Cemetery Authority

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2018

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of Centennial Park Cemetery Authority for the year ended 30 June 2018, the Authority's Auditor, BDO Chartered Accountants, 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*.



Janet Miller
CHIEF EXECUTIVE OFFICER



Amanda Heyworth
CHAIR
AUDIT & RISK MANAGEMENT COMMITTEE

Date: August 2018



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CENTENNIAL PARK CEMETERY AUTHORITY

Report on the Audit of the Financial Report

Opinion

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

In our opinion the financial report of Centennial Park Cemetery Authority, presents fairly, in all material respects, the Authority's financial position as at 30 June 2018 and its financial performance for the year ended on that date in accordance with Australian Accounting Standards, the *Local Government Act 1999*, and the *Local Government (Financial Management) Regulations 2011*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Authority in accordance with the *Local Government Act 1999* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Board of Management's responsibility for the Financial Report

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

In preparing the financial report, the Board of Management are responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intend to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

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

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

This description forms part of our auditor's report.

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

BDO Audit (SA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Andrew Tickle'.

Andrew Tickle
Director

Adelaide, 31 August 2018

Brown Hill and Keswick Creeks Stormwater Board

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 June 2018**

Brown Hill and Keswick Creeks Stormwater Board

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Brown Hill and Keswick Creeks Stormwater Board

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$
Income		
Operating Contributions	2	160,000
Capital Contributions	2	246,870
Total Income		406,870
Expenses		
Operating Expenses	3	163,948
Total Income		163,948
Surplus (deficit) for the year		242,922
Total Comprehensive Profit (Loss)		242,922

The accompanying Notes form part of these financial statements

Brown Hill and Keswick Creeks Stormwater Board

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

	Note	2018 \$
Assets		
Current Assets		
Cash and Cash Equivalents		-
Total Current Assets		-
Non-Current Assets		
Property, Plant and Equipment	4	249,189
Total Assets		249,189
Liabilities		
Current Liabilities		
Trade and other payables	5	6,267
Total Current Liabilities		6,267
Total Liabilities		6,267
Net Assets		242,922
Member's Funds		
Accumulated surplus	6	242,922
Total Members Funds		242,922

The accompanying Notes form part of these financial statements

Brown Hill and Keswick Creeks Stormwater Board

**STATEMENT OF CHANGES IN MEMBER'S FUNDS
AS AT 30 JUNE 2018**

	Note	Accumulated Surplus \$	Total \$
2018			
Balance at the beginning of the year	7	-	-
Surplus for the year		242,922	242,922
Balance at the end of year		<u>242,922</u>	<u>242,922</u>

The accompanying Notes form part of these financial statements

Brown Hill and Keswick Creeks Stormwater Board

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$
Cash from operating activities		
Receipts from constituent councils		406,870
Payments to suppliers		(157,681)
Net cash provided from operating activities	7	<u>249,189</u>
Cash from investing activities		
Expenditure on new / upgraded assets		(249,189)
Net cash provided from investing activities		<u>(249,189)</u>
Net increase in cash held		-
Cash at beginning of financial year		-
Cash at end of financial year		<u>-</u>

The accompanying Notes form part of these financial statements

Brown Hill and Keswick Creeks Stormwater Board

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 1: Statement of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group Interpretations (UIGs) and relevant South Australian legislation.

The Brown Hill and Keswick Creeks Stormwater Board (the Board) is a Local Government Regional Subsidiary established under Section 43 of and Schedule 2 to the Local Government Act 1999. The Regional Subsidiary is under the control of City of Adelaide, City of Burnside, City of Unley, City of Mitcham and City of West Torrens.

The Board was established by a Gazettal dated 27 February 2018. The Board has been established to implement the construction and maintenance of infrastructure and other measures for the purposes of a stormwater management plan prepared by the constituent councils and approved by the Stormwater Management Authority.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected noncurrent assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on by the members of the Board.

(a) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where the Board has retrospectively applied an accounting policy, made a retrospective restatement or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. The Board's cash is held in a bank account operated by the City of Unley.

(c) Income taxes

The activities of the Board are exempt from taxation under the Income Tax Assessment Act 1997.

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Brown Hill and Keswick Creeks Stormwater Board

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(e) Impairment

At the end of each reporting period, the Board assesses whether there is any indication that an asset may be impaired. The assessment will consider both external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of that asset, being the higher of the asset's fair value less costs to sell and its value-in-use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is immediately recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

(g) Revenue

Non-reciprocal grant revenue is recognised in the statement of comprehensive income when the Board obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Board and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied. When grant revenue is received whereby the Board incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Revenue from constituent Councils are recognised as income as and when they are received

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Trade and other payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Board during the reporting period that remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

Brown Hill and Keswick Creeks Stormwater Board

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

(i) Trade and other receivables

These include amounts due from ATO and accrued interest on deposits in financial institutions. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

(j) Critical Accounting Estimates and Judgments

Key estimates

Impairment - general

The Board assesses impairment at the end of each reporting period by evaluation of conditions and events specific to the Board that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(k) Property Plant and Equipment

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

Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Board 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.

Infrastructure – Stormwater \$10,000

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. All assets are currently held at cost

Brown Hill and Keswick Creeks Stormwater Board

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 Board, 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. Depreciation periods for infrastructure assets have been estimated based on the best information available to Board, 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.

Brown Hill and Keswick Creeks Stormwater Board

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 2: Income	2018
	\$
Operating Contributions	
City Of Mitcham	32,000
City Of Burnside	32,000
City Of West Torrens	32,000
Adelaide City Council	32,000
City of Unley	32,000
Total Operating Contributions	160,000
Capital Contributions	
City Of Mitcham	24,687
City Of Burnside	29,624
City Of West Torrens	120,966
Adelaide City Council	19,750
City of Unley	51,843
Total Capital Contributions	246,870
Total Income	406,870

Note 3: Operating Expenses	2018
	\$
Catering	90
Consultants	11,861
Contracts services	5,748
RS charter gazettal	4,502
Insurance	10,500
Legal	3,818
Marketing	930
Salaries	125,670
Telephone, Fax	829
Total Operating Expenses	163,948

Note 4: Property Plant and Equipment	2018
	\$
Work In Progress	249,188
	249,188

Work in progress includes two infrastructure projects currently in the detailed design phase.

South Parklands Stormwater - design	80,060
Hawthorn Reserve Creek upgrade	169,128

Brown Hill and Keswick Creeks Stormwater Board

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 5: Trade and other Payables

	2018
	\$
Payables	6,267
	6,267

Note 6: Accumulated Surplus

	2018
	\$
Opening Balance	-
Surplus for the year	242,922
Net transfers (to)/from reserves:	
Unspent funds reserve	-
Net transfers (to)/from accumulated surplus:	-
Net Transfers (to)/from reserves	-
Balance at year end	242,922

Note 7: Reconciliation of cash flow

	2018
	\$
Net surplus for the year	242,922
<i>Changes in assets and liabilities</i>	
Increase/(decrease) in trade and other payables	6,267
Net cash provided from operating activities	249,189

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 8: Financial Instruments

Details of the significant accounting policies and methods adopted including the criteria for the recognition, the basis of measurement and the basis on which income and expenses are recognised with respect to each class of financial asset, financial liability and equity instrument are disclosed in Note 1 Summary of Significant Account Policies.

Categorisation of Financial instruments

	Note	2018	
		Carrying Amount	Fair Value
Financial liabilities		\$	\$
Trade and other Payables	6	6,267	6,267
Total Financial liabilities		6,267	6,267
Financial Assets			
Cash and cash equivalents	4	-	-
Total Financial Assets		-	-

Receivable and payable amounts disclosed exclude amounts relating to statutory receivables and payables.

The fair values disclosed in the table above have been based on cash and cash equivalents, trade and other receivables and trade and other payables short term instruments in a nature whose carrying value is equal to fair value.

i. **Credit Risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligation that could lead to a financial loss to the Board.

Credit risk is managed through maintaining procedures to regularly monitor the financial stability of customers and counterparties and by investing surplus funds in financial institutions that maintain a high credit rating.

There is no collateral held by the Board securing trade and other receivables.

ii. **Liquidity Risk**

Liquidity risk arises from the possibility that the Board might accounting difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Board manages this risk by preparing and monitoring budgets, only investing surplus cash with major financial institutions and proactively monitoring the recovery of unpaid debts.

No assets have been pledged as security for any liabilities.

Brown Hill and Keswick Creeks Stormwater Board

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

iii. Market Risk

Exposure to interest rate risk arises on financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows.

The following table illustrates sensitivities to the Board's exposure to changes in interest rates.

	2018	
	% Weighted Average Interest rate	Carrying Value
Financial liabilities	\$	\$
Trade and other Payables	0%	6,267
Financial Assets		
Cash at bank	0%	-

Note 9: Contingent Liabilities and Contingent Assets

At 30 June 2018, the Board is unaware of any liability, contingent or otherwise, which has not already been recorded elsewhere in this financial report.

Note 10: Capital Commitments

At 30 June 2018, the Board is unaware of any capital or leasing commitments which have not already been recorded elsewhere in this financial report.

Note 11: Events after the end of the reporting period

Since the reporting date, there have been no events that would materially impact on the contents of this report.

Brown Hill and Keswick Creeks Stormwater Board

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 12: Economic Dependence

Brown Hill and Keswick Creeks Stormwater Board is dependent on its constituent councils and other funding bodies for the majority of its revenue used to achieve its objectives. At the date of this report, the Board believe that the Member Councils and other bodies will continue to support the Board.

Note 13: Related Party Transactions

The total remuneration paid to key management personnel of Brown Hill and Keswick Creeks Stormwater Board Incorporated during the year was as follows:

Key management personnel include the Project Manager currently employed by the City of Unley and the chairperson of the Board. Neither have received funds directly from the Board.

Other related parties includes close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel individually or collectively with their close family members. There were no transactions with other related parties.

Note 14: Capital Management

The Committee controls the capital of the entity to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised within tolerable risk parameters. The Committee ensures that the overall risk management strategy is in line with this objective. The committee operates under policies approved by the board. Risk management policies are approved and reviewed by the board on a regular basis. These include credit risk policies and future cash flow requirements. The entity's capital consists of financial liabilities, supported by financial assets. There have been no changes to the strategy adopted by the Committee to control the capital of the entity since the previous year.

Note 15: Board details

The registered office of the Board and principal place of business is;

City of Unley
181 Unley Road, Unley SA, 5061

Brown Hill and Keswick Creeks Stormwater Board

CERTIFICATION OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

In the opinion of the committee, the Financial Statements comprising of the Statement of Financial Performance, Statement of Financial Position, Statement of Changes in Members' Funds, Statement of Cash Flows and Notes to the Financial Statements:

1. Presents a true and fair view of the financial position of Brown Hill and Keswick Creeks Stormwater Board as at 30 June 2018 and its performance for the year ended on that date in accordance with Accounting Standards and other mandatory professional reporting requirements.
2. At the date of this statement, there are reasonable grounds to believe that Brown Hill and Keswick Creeks Stormwater Board will be able to pay its debts as and when they fall due.

The Board is responsible for the reliability, accuracy and completeness of the accounting records and the disclosure of all material and relevant information.

This statement is made in accordance with a resolution of the Board and is signed for and on behalf of the Board by:

Name: Judith Choate
Position: Chairperson
Date:

Name:
Position:
Date: