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I hereby give notice that an Audit Committee Meeting will be held on:

Date: Monday, 8 November 2021
Time: 5.30 p.m.
Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier

AGENDA

Audit Committee Meeting **8 November 2021**

A handwritten signature in black ink, appearing to read 'Sarah Philpott', with a long horizontal line extending to the right.

Sarah Philpott
Chief Executive Officer
4 November 2021

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1 ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Boandik peoples as the traditional custodians of the land where we meet today. We respect their spiritual relationship with the land and recognise the deep feelings of attachment our indigenous peoples have with this land.

2 APOLOGY(IES)

That the apology(ies) from Mayor Lynette Martin be received.

3 CONFIRMATION OF MINUTES

[Audit Committee Meeting - 20 September 2021](#)

RECOMMENDATION

That the minutes of the Audit Committee meeting held on 20 September 2021 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 CORRESPONDENCE RECEIVED – REPORT NO. AR21/71204

Meeting: Audit Committee
CM9 Reference: AF11/863
Author: Ashlee Lavia, Executive Administrator Community Wellbeing
Authoriser: Darren Barber, General Manager Shared Services

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR21/71204 titled 'Correspondence Received' as presented on 08 November 2021 be noted.



BACKGROUND

The report provides details of correspondence received since the previous meeting of the Audit Committee held 20 September 2021 and is provided for information.

DISCUSSION

The following correspondence has been received since the last meeting dated 20 September 2021:

- [Independent Commission Against Corruption \(ICAC\) SA Report - Facilities Maintenance in Local Government](#)

CONCLUSION

This report presents correspondence received for presentation to the Audit Committee for noting.

ATTACHMENTS

Nil



5.2 SELF-ASSESSMENT OF PERFORMANCE AUDIT COMMITTEE – REPORT NO. AR21/62432

Committee:	Audit Committee
Meeting Date:	8 November 2021
Report No.:	AR21/62432
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Finance
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	To present for consideration and adoption, the draft Audit Committee Self-Assessment Annual Report.
Strategic Plan Reference:	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR21/62432 titled 'Self-assessment of Performance Audit Committee' as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Authorise the General Manager Shared Services in liaison with the Presiding Member to make any minor amendments to the attached draft Audit Committee Self-Assessment Annual Report 2020/2021 that the Committee identifies and to then finalise the document; and
 - (b) Recommend to Council that the Audit Committee's Self-Assessment Report for 2020/21 be adopted.



TYPE OF REPORT

Other

BACKGROUND

1. **Audit Committee Terms of Reference** – The following section of the current Audit Committee Terms of Reference is relevant to this report

The Committee shall:

13.1.5 At least once per year, review its own performance.

2. **Performance Review** - The Audit Committee Terms of Reference requires the Committee to review its own performance to seek to ensure that it is operating at maximum effectiveness and recommend any desired changes to Council.
3. **The Local Government Act Financial Sustainability Information Paper 3** - On Audit and Risk Committees recommends that the Committee provide an annual report to Council.
4. **Committee Minutes** - The Minutes of each Committee meeting are provided to each Council Member and Committee Member and recommendations from the Committee are provided to the following Council meeting for consideration/adoption. All Committee recommendations in 2020/21 have been adopted by Council.
5. **Meetings** - The Committee met 3 times during 2020/21 and considered reports on topics including but not limited to: The Annual Financial Statements, Annual Work Plan, Long Term Financial Plan and Asset Management Plans, Audit Engagement, Annual Report, Quarterly Budget Reviews, and the Self-Assessment of the Audit Committee.

PROPOSAL

Self-assessment

The Audit Committee's self-assessment are drafted in Table 1. This table is consistent with the review table included in the 14 December 2020 audit committee report.

The audit committee members are encouraged to provide any additional or alternative input into the drafted response for inclusion before finalisation.

Table 1: Self performance considerations

AREA	COMMENT
Role & Terms of Reference	The audit committee is of the view that functions and extent of authority as defined under S126 (4) LOCAL GOVERNMENT ACT are adequately defined in the <i>Terms of Reference</i> established by Council. The latest review of the Terms of Reference was performed 12 April 2021.
	The audit committee is of the view that its role and function includes the monitoring of Financial Reporting and Management, Internal controls and Risk Management Systems, the effectiveness of internal audit functions and the external audit arrangements.
Independence	Independent Opinions/Views - The audit committee is of the view that it is able to form opinions and express views independently without perceiving a conflict of interest based on their current position within or outside Council.
	Council Staff Attendance - The audit committee believes the invited attendance of the CEO, a General Manager, the Manager Finance and the Management Accountant, or other Council staff at



AREA	COMMENT
	times, provides direction without influence. Continued attendance is desirable.
Committee Skills/Training	Selection - The audit committee is of the view that its members have been selected due to their qualifications and expertise and their combined qualifications and experience allow it to perform its role appropriately.
	Skills/Experience - Members' background includes a (combination of) accounting, risk management, internal control and/or external audit experience and exposure. Members have access to relevant and ongoing professional training.
Work Program	2020/21 Program - The audit committee's work program for 2020/21 met its areas of focus and the audit committee recognises that its work program can be updated based on changing expectations and/or to address topical issues and emerging trends.
	Future Development - The audit committee's work program will be expanded for 2021/22 in alignment with Council policies and the proposed Audit & Risk Committee Terms of Reference if adopted.
Council Structure and Decision Making	Council - The audit committee are aware of the processes of Council, Council's organisational structure and decision-making processes.
	Documentation - Audit committee members are provided with copies of financial statements, policies and reports of Council if and when relevant. In the 2021/22 Financial Year Council staff will continue to present and discuss relevant financial processes to promote transparency and understanding.
Meeting Operation and Frequency	Previous Frequency – Prior to 2020/21 when it met 3 times, the audit committee has been meeting regularly, and at a minimum four times a year.
	Future Frequency – The work program for 2021/22 following the proposed adoption of the Audit & Risk Terms of Reference by Council will ensure that future frequency and duration is adequate to address issues timely and diligently.
Resources available to the Audit Committee	Staff Resources - The audit committee utilises the resources of Council through the attendance of the external audit service provider, the CEO, the Manager Finance and the Management Accountant and other employees as requested.
	External Auditors - The audit committee has liaised with external auditors and Council employees as required in order to meet its role and terms of reference. The audit committee has been able meet with the auditor without Council Administration representatives, when requested.
Audit Committee's working relationship with Council and the senior management team	Role & Function - Council appears to be aware of role and function of audit committee. Presence of CEO, the Manager Finance and the Management Accountant assists the audit committee in decision achievement.
	Support - No issues of conflict have arisen. The audit committee recognises the significant role played by Council employees to address and advise the Committee.
The Audit Committee's access to appropriate Council information	Oversight - The audit committee notes its oversighting role regarding financial and risk management within Council. Although it has no operational responsibility it has access to necessary information to perform its review role around the policies, procedures



AREA	COMMENT
	and compliance related to policies and procedures guiding decisions with major financial or risk implications. Works Program - The audit committee is able to contribute to the Annual Works Program incorporating any subjects it determines to be either topical or of consistent interest to the committee.
The extent to which the Audit Committee's advice is contributing to the effective operation of the Council	Terms of Reference - The audit committee recognises that its role and terms of reference are a requirement of the LOCAL GOVERNMENT ACT. Members are cognisant of their requirements, roles and responsibilities.
	The audit committee holds the view that its function and role will be increasingly viewed as complimentary to Council in its activities for ratepayers.
	Annual Report – Council's Annual Report includes a summary of the annual works program undertaken for the year, the number of meetings held and meeting attendance.

LEGAL IMPLICATIONS

Local Government Act Sections 126 and 41.

Local Government (Financial Management) Regulations 2011

Terms of Reference – Audit Committee

STRATEGIC PLAN

N/A

COUNCIL POLICY

N/A

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

N/A

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

N/A

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A



ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

N/A

CONCLUSION AND RECOMMENDATION

The recommendation to Council is that they adopt the Audit Committee's Self-Assessment Report based on the information contained in this report.

ATTACHMENTS

Nil



5.3 POLICY REVIEW - B300 BUDGET FRAMEWORK – REPORT NO. AR21/62434

Committee:	Audit Committee
Meeting Date:	8 November 2021
Report No.:	AR21/62434
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Finance
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	Legislation - The Local Government Act 1999 prescribes that a council must adopt for each financial year: An annual business plan and budget. This policy seeks to endorse these requirements to ensure compliance with the Act.
	Due For Review – The policy was last reviewed and adopted in February 2020 and is due for review and adoption by December 2021.
Strategic Plan Reference:	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR21/62434 titled 'Policy Review - B300 Budget Framework' as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Determine if it wishes to make any adjustments to the draft revised policy.
 - (b) Recommend to Council that Council adopts the proposed revised B300 Budget Framework Policy.



TYPE OF REPORT

Corporate

BACKGROUND

1. **Review** – B300 Budget Framework Policy was reviewed and adopted by Council on 18 February 2020 and is due to be reviewed and adopted by Council by December 2021.
2. **Audit Committee Terms of Reference** - The following sections of the Audit Committee Terms of Reference are relevant to this report:

The Committee shall:

11.1.2 Review and challenge where necessary:

11.1.2.1 The consistency of, and/or any changes to accounting policies

3. **Benchmarking** - Policies from a number of SA Councils were reviewed including: Mount Barker District Council, City of Campbelltown, City of Charles Sturt, City of Marion, District Council of Grant, Wattle Range and Alexandrina and Gawler Councils.
4. **High Level Policy** – Following the review and benchmarking the revised policy is proposed to set a high level framework for how the annual budget is set and reviewed/revised. This will be underpinned by a number of procedures. This approach was reviewed with and endorsed by the Executive Leadership Team and Chief Executive Officer.
5. **Strategic Financial Framework** - The annual budget will be developed with regard to the Key Financial Indicator (KFI) targets included in Council's Long Term Financial Plan (LTFP), and Council's Treasury Management Policy. It will also be developed in alignment with the Futures Paper; Strategic Plan; Asset Management Plan and Annual Business Plan.

PROPOSAL

1. **Proposed Council Policy** – This revised Council policy is proposed for adoption by Council (Attachment 1 – it should also be noted that Attachment 2 includes the current policy). It outlines the following:
 - **Legislation** - In terms of key requirements, timing and format for the budget and budget reviews (Including the model financial statements and KFIs).
 - **Budget Development** - Budgets will be developed aligned with procedures and detailed guidelines provided to key internal stakeholders for each year's process.
 - **Budget Reviews and Adjustments** - Budgets will be adjusted in alignment with supporting procedures.
2. **Policy Structure** – The structure and contents of the policy have been changed to ensure that it is more accessible to staff and the community via the inclusion of definitions, roles and responsibilities and training and education.
3. **Policy Statements** - The policy provides an overview of the factors to be taken into consideration when preparing the annual budget including:
 - Timing;
 - Revenue and Expenditure;
 - Annual Business Plan;
 - Key Financial Indicators;
 - Budget Development; and
 - Budget Reviews.



4. **Policy Principles** – The policy includes a number of principles with regard to the following to be taken into consideration when preparing the annual budget:
 - Service Levels;
 - Robust and Rigorous Processes;
 - Realistic Assumptions;
 - Asset Management Plans;
 - New Assets/Major Upgrades Service Levels;
 - Financial Sustainability & KFI's;
 - Legislative Obligations; and
 - Financial Control.

5. **Supporting Procedures/Documents** - The policy will be supported by a number of procedures/guidelines as follows:
 - **Budget Process Guidelines** - The details of the budget process/approach to be undertaken and timelines for each year will be detailed in presentations/guidelines issued each year to staff and Elected Members as part of the annual budget process.
 - **Budget Ranking Procedure** - This procedure will detail the role of the Budget Steering Group (General Managers and Managers) that rank projects during the budget process and will include details of the ranking methodology, ranking criteria and their application.
 - **Operating Budget, Budget Review/Adjustment Procedure** – This procedure will detail the process of creating budgets and adjusting operating revenue and expenditure budgets for emerging priorities, and budget variations. This will also include the process for adjusting new initiative budgets including emerging priorities, budget variations and cancellations.
 - **Capital Budget, Budget Review/Adjustment Procedure** – This procedure will detail the process of creating budgets and adjusting capital renewal and new/upgrade budgets for emerging priorities, budget variations, carry forwards and cancellations.

LEGAL IMPLICATIONS

Local Government Act 1999 – Section 123

Local Government (Financial Management) Regulations – 2011 – Regulations 7 and 9.

STRATEGIC PLAN

Is aligned to the Strategic Plan.

COUNCIL POLICY

[A900 – Asset Management](#)

[P420 – Procurement and Disposal of Land Assets](#)

[R105 – Rates Rating Policy 2021-2022](#)

[T150 – Treasury Management](#)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A



CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

The B300 Budget Framework Policy will be implemented using current resources.

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

The B300 Budget Framework policy ensures that the budget is constructed in a manner that is underpinned by key budget principles and is aligned with KFI's.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A



IMPLEMENTATION STRATEGY

This policy is aligned with current processes of Council and the 2022/23 budget currently being constructed.

CONCLUSION AND RECOMMENDATION

The Budget Framework Policy has been reviewed and changed following a review undertaken by the Manager Finance in consultation with Council's Executive Team. The policy is aligned with the requirements outlined in The Local Government Act 1999 that prescribes that a council must adopt for each financial year an annual business plan and a budget. It is recommended that this policy be adopted by Council.

ATTACHMENTS

1. Proposed B300 Budget Framework Policy [↓](#) 
2. B300 Budget Framework Policy (Current) [↓](#) 



 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY	Version No:	1
		Issued:	Month, 20##
		Next Review:	Month, 20##

1. INTRODUCTION

This document sets out the policy of the City of Mount Gambier ("Council") for the preparation, review and report on its budget every financial year.

2. SCOPE:

This Policy is applicable to all employees and Council Members and covers the annual budget requirements for City of Mount Gambier Council.

3. PURPOSE:

The Local Government Act 1999 prescribes that a council must adopt for each financial year.

- An annual business plan; and
- A budget.

This policy endorses these requirements to ensure compliance with the Act.

The purpose of this policy is to provide a framework for Council and Management in relation to the preparation, consideration, adoption and review of the Annual Budget / Business Plan in compliance with the Local Government Act.

4. DEFINITIONS:

Key Term – Acronym	Definition
Model Financial Statements	Prescription endorsed in the Local Government Act regarding presentation of the annual financial statements, budget and long term financial plan.
Operating surplus ratio	This ratio expresses the operating surplus (operating revenues less operating expenses) as a percentage of operating revenue.
Asset renewal funding ratio	This ratio indicates whether council's capital expenditure on asset renewal/replacement of existing assets is what is needed to cost effectively maintain service levels as prescribed in Council's adopted Asset Management Plans.
Net financial liabilities ratio	This ratio indicates the extent to which the net financial liabilities or council's indebtedness can be met by councils total operating revenues.
'Approved Budget'	Adopted capital budget adjusted for year-end carry forwards.
Operating Budget	Identifies the amount of money Council will receive in income and spend on expenses in the course of its normal operating (non-capital) activities. The operating budget includes items such as rates, user charges, specific operating grant revenue, salaries and wages, utility and administrative costs.

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 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY	Version No:	1
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		Next Review:	Month, 20##

Key Term – Acronym	Definition
Capital Budget	Is the amount of money Council will invest in the creation of new assets or renewal/upgrade of our current assets. Associated revenue can include grant revenue supporting the delivery of capital projects or developer contributions.
Asset Renewals	Is the amount of money Council will invest in Capital maintenance programs for renewal and replacement to prevent costly deterioration of infrastructure and maintaining an adequate level of investment on existing assets to maintain satisfactory levels of service on an annual average basis. Aligned with asset management plans.
New & Upgraded Capital	Assets that are added to Council's existing complement or where an existing asset is replaced with an asset that provides additional capabilities or services. Expected funding source is capital grants and contributions, sale of surplus assets and or borrowings.
Executive Management Team (EMT)	The Executive group of Council including the Chief Executive Officer, and General Managers.

5. ROLES & RESPONSIBILITIES

Council:

Is responsible for approving the policy and for ensuring that a budget is adopted that achieves the key budget principles.

Audit & Risk Committee:

The Committee shall review and provide advice on Council's Annual Business Plan and Budget (at the time of their preparation and scheduled review).

Chief Executive Officer:

Is responsible for the following:

- **Recommendation** – Recommend the budget position to be presented to Council for adoption and further revisions as part of the Budget Review process in accordance with the Local Government Act.
- **Provision of Information** - Provide information to Council to support Council decision making.

General Managers:

Are responsible for the following:

- **Executive (EMT)** - The Executive will recommend a budget position and subsequent budget review positions to the Chief Executive Officer.

Manager, Finance:

Is responsible for the following:

- **Leadership Of Budget & Budget Review Process** - Designing the process, setting of key financial deadlines, inputs and reporting to the CEO and Executive on progress.

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 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY		Version No:	1
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- **Provision of Information** - Provide information to the Executive and Council to support evidence based decision making with regard to the budget and budget reviews throughout the year.

Budget Officers:

- **Budget Delivery** – Budget Officers are responsible for the following:
 - Preparation of budget inputs;
 - Attendance at budget workshops;
 - Presentation of budget; and
 - Achievement of deadlines as agreed and quality of inputs for the budget and subsequent budget reviews in alignment with budget guidelines.

6. POLICY STATEMENTS:

- 6.1 **Timing** – The budget must be considered in conjunction with the Council's Annual Business Plan and be adopted after 31 May and before 31 August for the ensuing financial year. The budget must comply with the standards and principles prescribed by the regulations under the Local Government Act 1999. The budget shall include budgeted financial statements, which must be presented, other than notes and other explanatory documentation, in a manner consistent with the Model Financial Statements.
- 6.2 **Revenue & Expenditure** - The budget must also state whether the projected operating income is sufficient to meet projected operating expenses for the relevant financial year and include a summary of operating and capital investment activities presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances.
- 6.3 **Annual Business Plan** - As part of the budget process Council will prepare an Annual Business Plan which will address the activities the Council intends to undertake in the ensuing year to achieve its objectives and the key performance indicators that Council will use to assess its performance against its objectives.
- 6.4 **Key Financial Indicators (KFIs)** - Council's key financial indicators will include as a minimum a forecast with respect to the councils operating surplus ratio, asset renewal funding ratio and net financial liabilities presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
- 6.5 **Budget Development** - The basis for Council's budget each year will, in its initial stages of development, be based upon budget guidelines issued to staff prior to the start of each year's process. The result will be evaluated and refined in terms of the Council's Long Term Financial Plan, annual objectives, KPIs and within the framework of Council budget assumptions and Strategic Plan Outcomes.
- 6.6 **Budget Reviews** - In accordance with the Local Government (Financial Management) Regulations 2011, Regulation 9 requires Council to prepare and consider the uniform presentation of finances relating to the review of budgets at least twice, between 30 September and 31 May, and between 30 November and 15 March (dates inclusive) prepare and consider a report that compares the revised forecast for each item of the financial statements to the adopted budget in a manner consistent with the Model Financial Statements. A report must also include a report that includes the key financial ratios (operating surplus ratio, net financial liabilities ratio and asset sustainability ratio) in a manner consistent with the Model Financial Statements.

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Budget reviews should be undertaken by Manager, Finance with the Chief Executive Officer and Executive Management Team during the year as at the following dates and taken to Council at the appropriate time:

Table 1: Budget Review Schedule

Budget Review	Inclusive Dates
Budget Review 1 (BR1)	1 July to 30 September
Budget Review 2 (BR2)	1 October to 31 December
Budget Review 3 (BR3)	1 January to 31 March

7. POLICY PRINCIPLES

A number of principles are to be taken into consideration when preparing the annual budget, including:

- 7.1 **Service Levels** - Recurrent income and expenses should ensure maintenance of agreed service levels for all existing services to the community.
- 7.2 **Robust and Rigorous Processes** - Are undertaken to establish the budget and ensure that it is consistent with the initiatives and objectives of the following strategic management documents including accountability and transparency in the decision-making process:
 - Futures Paper
 - Strategic Plan;
 - Asset Management Plan; and
 - Annual Business Plan.
- 7.3 **Realistic Assumptions** - All budget figures will be based on the best available information and the provision of value for money for the services provided.
- 7.4 **Asset Management Plans** - Will inform budget capital maintenance programs for renewal and replacement to prevent costly deterioration of infrastructure and to maintain an adequate level of investment on existing assets to ensure satisfactory levels of service on an annual average basis.
- 7.5 **Asset Renewals** – Expenditure on the renewal of assets will be informed by asset management plans taking into consideration the results of condition audits and other information to ensure that assets are maintained at an appropriate standard.
- 7.6 **New Assets/Major Upgrades** - Expenditure on new assets and/or major upgrades to the service levels of existing infrastructure assets will be the result of strategic planning decisions and generally funded from capital grants and contributions, sale of surplus assets rates, and or borrowings. New sources of ongoing revenue will be identified for additional maintenance and annual operating costs resulting from new or upgraded assets.

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7.7 **Financial Sustainability** - The budget will be developed in accordance with the key financial targets included in Council's Long Term Financial Plan (LTFP), and Council's Treasury Management Policy.

7.8 **Key Financial Indicators (KFIs)** - The budget and subsequent budget reviews will be developed and have regard to Council's key financial indicator targets.

7.9 **Legislative Obligations** - The Annual Budget and Budget Reviews will comply with the relevant requirements of the Local Government Act (1999) and associated Financial Management Regulations.

7.10 **Financial Control** – Council is committed to ensuring that financial and other resources under Council's control will be used only for approved purposes and within Council's strategic framework and that all risks to Council's finances are properly managed.

8. TRAINING / EDUCATION:

Training is provided to key members of staff, the Executive Management Team and Elected Members when communicating the details of the Long Term Financial Plan and annual budget process.

9. REVIEW & EVALUATION

This Policy is scheduled for review by Council in December 2025; however, it will be reviewed as required. This Policy will be reviewed:

- every four years; or
- the frequency dictated in legislation, or
- earlier in the event of changes to legislation or related Policies and Procedures; or
- if deemed necessary by the Manager Finance

10. AVAILABILITY OF POLICY

This Policy will be available for inspection at Council's principal office during ordinary business hours and on the Council's website www.mountgambier.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

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 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY	Version No:	1
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File Reference:	AF11/893
Applicable Legislation:	Local Government Act 1999 Section 123. Local Government (Financial Management) Regulations 2011 Regulations 7 and 9.
Reference: Strategic Plan – Beyond 2015	Goal 3, Our Diverse Economy.
Related Policies:	A900 ASSET MANAGEMENT T150 TREASURY MANAGEMENT POLICY P420 PROCUREMENT AND DISPOSAL OF LAND AND ASSETS R105 RATING POLICY
Related Procedures:	OPERATING BUDGET, BUDGET REVIEW AND ADJUSTMENT PROCEDURE CAPITAL BUDGET, BUDGET REVIEW AND ADJUSTMENT PROCEDURE BUDGET RANKING PROCEDURE
Related Documents:	LGA Financial Sustainability Information Paper 25: Monitoring Council Budget Performance Annual Business Plan Guidelines (Rolled out to staff annually).

DOCUMENT DETAILS

Responsibility:	GENERAL MANAGER SHARED SERVICES
Version:	6.0
Last revised date:	18 FEBRUARY, 2020
Effective date:	## th Month, 201#
Minute reference:	## th Month, 201# Operational/Corporate & Community Services, Item #
Next review date:	November, 2025

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<u>Document History</u>	
First Adopted By Council:	21 August 2012
Reviewed/Amended:	March 2014, April 2015, 16 January 2018, 18 February 2020

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 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY	Version No:	5
		Issued:	18 February 2020
		Next Review:	December 2021

1. Introduction

In accordance with the Local Government Act 1999, Section 123, and the Local Government (Financial Management) Regulations 2011, Council is required to prepare, review and report on its budget every financial year.

2. Purpose

The purpose of this policy is to provide guidance and clarity in relation to budget preparation, review and reporting performance against Council's approved budget. In particular the:

- content, timing and process to be followed for reporting to Council a revised forecast (or Budget Review) against the approved budget;
- scope and conditions associated with the Chief Executive Officer approving variations in activity (that are within the scope of the approved budget) without obtaining Council approval; and
- process to be followed in relation to the carrying forward of expenditure (work in progress) associated with projects included in the budget for the previous year.

3. Policy Statements

3.1 Strategic Framework

The City of Mount Gambier is committed to an integrated approach to strategic planning and budgeting, formalised in the City of Mount Gambier's Integrated Planning and Budget Framework.

3.2 Budget Lifecycle - Timing and content of budget reporting to Council

Annual - budget

The Local Government Act 1999, Section 123 states that Council must have, for each financial year an annual business plan and a budget.

Planning and establishing the annual business plan and budget for the next financial year begins in November and continues until the budget is approved i.e. after 31 May and before 31 August. The budget process includes, but is not limited to:

- Workshops with Elected Members to determine strategic priorities and forward direction of Council;
- Review of Council's strategic management plans including the Infrastructure and Asset Management Plan and the Long Term Financial Plan; and
- Determination of key assumptions and drivers, including for example: service levels, rating increases, consumer price index, etc.

An annual business plan and budget for the next financial year must be adopted by Council after 31 May and before the 31 August.

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 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY	Version No:	5
		Issued:	18 February 2020
		Next Review:	December 2021

Budget Reviews

Monitoring of Council's annual budget against actual performance at regular intervals and making informed adjustments to align the budget to changes in expectations and new information is an important tool of Council in managing the risk that its strategic management plans will not be achieved or may be exceeded.

In accordance with the Local Government (Financial Management) Regulations 2011, Regulation 9 requires Council to prepare and consider the following reports relating to the review of budgets:

"9.1(a) At least twice, between 30 September and 31 May (both dates inclusive) in the relevant financial year (where at least 1 report must be considered before the consideration of the report under sub regulation (1)(b), and at least 1 report must be considered after consideration of the report under sub regulation (1)(b)) - a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;

9.1(b) Between 30 November and 15 March (both dates inclusive) in the relevant financial year – a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.

9.2 A council must also include in a report under sub regulation (1)(b) revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators."

Additionally, any rollover of capital works from one year to the next is to be presented for Council adoption as soon as possible after the finalisation of the previous year's financial statements.

Council has scheduled to undertake and present the capex rollover and the budget reviews /revised forecasts as follows:

Table 1: Budget Review Schedule

Budget Review	Inclusive Dates	Council Meeting
Work in Progress	1 July to 30 June	August-September
Quarter One (BR1)	1 July to 30 September	November
Quarter Two (BR2)	1 October to 31 December	February
Quarter Three (BR3)	1 January to 31 March	May

Section 123 7(a)(b) of the Local Government Act 1999 (the 'Act) states that each budget of council must:

"7(a) Be considered in conjunction with the council's annual business plan (and must be consistent with that plan, as adopted); and

7(b) Be adopted by the council after the council has adopted its annual business plan."

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		Issued:	18 February 2020
		Next Review:	December 2021

Budget review reports highlight, at summary level, year to date actuals, original budget, as well as the latest revised forecast for the year.

Council's endorsement of the Budget Review revisions implies adoption of the variances compared to the original budget.

3.3 Approval of variations outside the scope of the budget

The Local Government (Financial Management) Regulations 2011 (the Regulations) (Part 2 para 9) states that the review of budgets includes 'a revised forecast of its operating and capital investment activities' and does not address budget revisions, which formally adjust the originally approved budget.

The Local Government Act 1999 states (Section 123 para 13) that 'a council must, as required by the Regulations, and may at any time, reconsider its annual business plan or its budget during the course of a financial year and, if necessary and appropriate, make any revisions'.

Council approval must be obtained before commitments are made that would result in material activity outside of the original approved budget.

In considering a request for a revision to its approved budget, Council will consider the impact the approval would have on the achievement of the targets for financial indicators established in Council's original budget. Council will also consider the capacity to increase other revenue or reduce other expenditure (either of a corresponding operating and/or capital nature as appropriate) to offset the variation and the merit of so doing.

3.4 Approval of variations within the scope of the budget

Where circumstances warrant, the Chief Executive Officer may authorise variations in activity that are within the approved budget and subsequent budget review revisions providing that variations made do not:

- In aggregate, exceed threshold value limits for functions outlined in the Budget;
- Materially impact on the quality, quantity, frequency, range or level of service previously provided for or implicitly intended in the original budget allocation; and
- Impact on any explicit proposal(s) Council has included in its Annual Business Plan or has otherwise publicly committed to and accommodated in its budget.

Whenever such changes are made, the following Budget Review must include information from the CEO explaining the rationale for the decision.

3.5 Carrying forward of expenditure for projects included in the budget for the previous financial year.

Funding approval for budgeted activity not completed at the end of the financial year is forfeited unless identified and adopted by the Council as a carry-over/work in progress.

The scope and funding requirements of capital projects and major operating-type activities that are committed or underway but not completed at the end of the financial year, need to be reviewed and the projects/activities identified for carrying forward as soon as practical after the end of the financial year to ensure inclusion in the Financial Statements.

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		Next Review:	December 2021

4. REVIEW & EVALUATION

This Policy is scheduled for review by Council's Audit Committee biennially, however, will be reviewed as required by any legislative changes which may occur.



 City of Mount Gambier	B300 BUDGET FRAMEWORK POLICY	Version No:	5
		Issued:	18 February 2020
		Next Review:	December 2021

File Reference:	AF18/48
Applicable Legislation:	Local Government (Financial Management) Regulations 2011 - Regulations 7, 9 and 10.
Reference: Community Plan 2016-2020	Goal 3, Our Diverse Economy.
Related Policies:	I105 Internal Controls T150 Treasury Management
Related Procedures:	Nil
Related Documents:	LGA Financial Sustainability Information Paper 25: Monitoring Council Budget Performance AR17/32233[v3] Integrated Planning and Budgeting Framework (3)

DOCUMENT DETAILS

Responsibility:	GENERAL MANAGER COUNCIL BUSINESS SERVICES AUDIT COMMITTEE
Version:	5.0
Last revised date:	18 February 2020
Effective date:	18 February 2020
Minute reference:	18 February 2020 - Item 20.8
Next review date:	December 2021
<u>Document History</u>	
First Adopted By Council:	21 August 2012
Reviewed/Amended:	March 2014, April 2015, 16 January 2018, 18 February 2020

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5.4 POLICY REVIEW - T150 - TREASURY MANAGEMENT – REPORT NO. AR21/62435

Committee:	Audit Committee
Meeting Date:	8 November 2021
Report No.:	AR21/62435
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Finance
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	Key Financial Policy – The Treasury Management Policy underpins Council’s funding policy and decision-making process regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.
	Due For Review – The policy was last reviewed and adopted in February 2020 and is due for review and adoption by December 2021.
Strategic Plan Reference:	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR21/62435 titled ‘Policy Review - T150 - Treasury Management’ as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Determine if it wishes to make any adjustments to Council with regard to the updated policy.
 - (b) Recommend to Council that Council adopts the updated Treasury Management Policy as presented.



TYPE OF REPORT

Other

BACKGROUND

1. **Review** - The Treasury Management Policy was last adopted by Council on 18 February 2020 and is due for review and adoption by December 2021.
2. **Borrowings** - The main legislative provisions in the Local Government Act covering borrowings are:
 - **Section 44** - a Council must approve all borrowings and the legislation clearly states that the power to borrow cannot be delegated.
 - **Section 122** - a Council's strategic management plans must include an assessment of a Council's proposals with respect to debt levels.
 - **Section 134** - empowers a Council to borrow and requires a Council to consider expert advice before entering into financial arrangements for the purpose of managing, hedging or protecting against interest rate movements and other risks associated with borrowing money.
 - **Section 135** – A Council may provide various forms of security, including:
 - (a) Guarantees (including guarantees relating to the liabilities of a subsidiary of the Council);
 - (b) Debentures charged on the general revenue of the council; and
 - (c) Bills of sale, mortgages or other charges.
3. **Investments** - The main Local Government Act provisions covering investments are:
 - **Section 47** - prohibits a Council from directly acquiring shares in a company.
 - **Section 139** - empowers a Council to invest and requires that the power of investment be exercised with the care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons. Section 139 also requires a Council to avoid investments that are speculative or hazardous in nature.
 - **Section 140** - requires that a Council review the performance of its investments at least annually.

PROPOSAL

1. **Treasury Management** - Is the management of investments and debt, in order to make the best possible use of funds, maintain financial sustainability, maximise the returns from investments, reduce the overall cost of borrowings, and mitigate operational and financial risk.
2. **Treasury Management Policy** - This is a key financial policy that underpins Council's funding policy and decision-making process regarding the financing of its operations as documented in its annual budget and long-term financial plan and associated projected and actual cash flow receipts and outlays.
3. **Decision Framework** – This policy establishes a decision framework to ensure that:
 - **Funding** - Funds are available as required to support approved outlays. Significant expenditure is supported by either a business case or prudential report (subject to the value of the project). The priority of significant expenditure is assessed and timing of expenditure and associated funding is considered;
 - **Risks** - Interest rate and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed; and



- **Net Interest Costs** - The net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.
4. **Holistic Financial Management** - The Treasury Management Policy is a key driver of financial sustainability over the life of the LTFFP and as such Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets:
- (a) **Quarantine** - will not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
 - (b) **LTFFP** - will borrow funds in accordance with the requirements set out in its Long Term Financial Plan;
 - (c) **Fund Application** - apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required; and;
 - (d) **Cashflow Shortfalls** - meeting immediate cash flow shortfalls initially by redeeming invested funds. Where there are no (or insufficient) funds invested they may be drawn down against Council's Convertible Cash Advance Debenture (CAD) facilities at the LGFA approved in accordance with the supporting procedure.
5. **Key Financial Indicators (KFIs)** - Council will ensure long term financial sustainability using key financial indicators in its ten year financial plan. Council will:
- (a) **Operating Surplus Ratio** – Aim to achieve a positive operating surplus ratio by FY 2027.
 - (b) **Net Financial Liabilities Ratio** – Achieve a net financial liabilities ratio of 100% or lower by FY 2027; and
 - (c) **Asset Renewal Funding Ratio** - Maintain asset sustainability renewal funding ratio of greater than or equal to 100% of Asset Management Plans.
6. **Borrowings** - Are not a form of income and do not replace the need for Council to generate sufficient operating income to service its operating requirements. Undertaking borrowings gives rise to both an asset (the cash it provides) and a liability (the obligation to repay the money borrowed). There are many types of borrowings available and Council will consider these when borrowing to minimise net interest costs on average over the longer term and to manage interest rate movement risks.
7. **Investments** - To maximise returns to Council for funds invested, the bank account balance of Council is assessed on a regular basis and be set at a level that meets Council's operational requirements.
8. **Policy Review** – A review of the policy has been undertaken with a focus on the following:
- **Amendments** – It should be noted that new sections have been highlighted in red and items that have been removed have been highlighted in red and strikethrough has been applied.
 - **Benchmarking** – This policy was compared to a number of other South Australian Councils with definitions to improve understanding of technical terms.
 - **Finance Leases** – Have been included in this policy recognition of the change in accounting standards (AASB 16 Leases).

LEGAL IMPLICATIONS

- **Borrowings** - Local Government Act 1999 – Sections 44, 122, 134, 135.
- **Investments** - Local Government Act 1999 – Sections 47, 139, 140.



STRATEGIC PLAN

Aids in the delivery of the Strategic Plan.

COUNCIL POLICY

[B300 Budget Framework Policy](#)

ECONOMIC IMPLICATIONS

Aids in the delivery of economic outcomes.

ENVIRONMENTAL IMPLICATIONS

Aids in the delivery of environmental outcomes.

SOCIAL IMPLICATIONS

Aids in the delivery of social outcomes

CULTURAL IMPLICATIONS

Aids in the delivery of cultural outcomes

RESOURCE IMPLICATIONS

N/A

VALUE FOR MONEY

The treasury management policy ensures that value for money is delivered as investment returns are maximised and cost of debt is minimised.

RISK IMPLICATIONS

Prudent management of Council's financial sustainability ensures that long and short term financial risk is mitigated.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

This will be rolled out via training to the Executive and Elected Members when communicating details of the Annual Business Plan and the LTFP.

CONCLUSION AND RECOMMENDATION

The Treasury Management Policy is a key financial policy that underpins Council's funding strategy and decision-making process regarding the financing of its operations and documented in its annual budget and LTFP, and associated projected and cash flow receipts and outlays.

The opportunity has been taken to benchmark this policy with other South Australian councils and to update the policy to reflect the change in debt requirements following the approval of the Wulanda Recreation and Convention Centre project.

ATTACHMENTS

1. Draft T150 Treasury Management Policy [↓](#) 



 City of Mount Gambier	COUNCIL POLICY	
	T150 TREASURY MANAGEMENT POLICY	
	Version No:	9.0
	Issued:	Month, 20##
	Next Review:	Month, 20##

1. INTRODUCTION:

This document sets out the policy of the City of Mount Gambier ("Council") in relation to the treasury management function.

~~This Policy provides direction to Council in relation to the treasury function.~~

~~Council is committed to adopting and maintaining a Long Term Financial Plan (LTFP) and operating in a financially sustainable manner to assist it to determine affordable service levels and revenue raising needs. The LTFP also provides projections of future cash flow availability and needs.~~

2. PURPOSE:

~~The purpose of this policy is to underpin Council's decision-making in the financing of its operations in the context of its annual budget, LTFP, cash flow, borrowings and investments.~~

The purpose of this policy is to:

- Provide clear direction to management, staff and Council in relation to the Treasury Management function.
- Establish a decision framework (as shown below).

3. SCOPE:

This policy is applicable to all employees and all Elected Members.

The Treasury Management Policy establishes a decision-making framework to ensure that:

- Funds are available to support approved outlays;
- Interest rates and other risks (e.g. liquidity and investment credit risks) are acknowledged and responsibly managed; and
- The net interest costs associated with borrowing and investing are reasonably likely to be minimised on average over the longer term.

4. DEFINITIONS:

Key Term – Acronym	Definition
Treasury Management	Is the management of investments and debt, in order to make the best possible use of funds, maintain financial sustainability, maximise the returns from investments, reduce the overall cost of borrowings, and mitigate operational and financial risk.
Asset Renewal Funding Ratio	Capital expenditure on renewal or replacement of existing assets as a percentage of asset management plans allocation. <i>Capital expenditure on renewal or replacement of existing assets / Asset Management Plan.</i>



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Key Term – Acronym	Definition
Borrowing	Cash received from another party in exchange for future payment of the principal, which would normally include interest and other finance charges.
Convertible Cash Advance Debenture	A loan where principal amounts can be repaid at any time and calculation of interest payable is based on the amounts of principal outstanding i.e. an interest only loan. The principal is not repaid until maturity.
Credit Foncier	A loan for a fixed term with regular repayments comprising principal and interest, such that at the end of the term the total principal would have been repaid.
Direct Benefits	Are expenditure which provides direct benefits to persons or categories of persons in a manner which matches the extent to which the direct benefits accrue to persons or categories of persons.
Financial Sustainability	Where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services.
General Benefits	Are defined as expenditure which: <ul style="list-style-type: none"> ➢ provide benefits which are independent of the number of persons who benefit from the expenditure; ➢ or generate benefits which do not accrue to identifiable persons or groups of persons; or generates benefits to the community generally.
Inter-Generational Equity	When assessing investment and borrowing decisions, consideration should be given to the “generation of rate payers” who will derive the substantive benefits versus those who will ultimately pay (through Council rates and user charges).
Net Financial Liabilities Ratio	Net Financial Liabilities (total liabilities less financial assets) as a percentage of total operating revenue. <i>Net Financial Liabilities/Total operating revenue.</i>

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Key Term – Acronym	Definition
Operating Surplus Ratio	<p>Operating surplus before capital revenues as a percentage of total operating revenue</p> <p><i>Operating surplus / Total operating revenue.</i></p>

5. ROLES & RESPONSIBILITIES:

5.1 Council:

Council is responsible for approving the policy and for using their revenue raising powers responsibly by raising sufficient revenue to ensure financial sustainability.

5.2 Chief Executive Officer:

The Chief Executive Officer is responsible to Council for managing the funds of Council to ensure that the objectives of Council are achieved in an effective and efficient manner.

5.3 Manager Finance:

Manager Finance is responsible for promoting a best practice approach in support of effective financial management practices and properly functioning controls.

5.4 Employees:

Employees are responsible for adhering to the policy.

6. POLICY STATEMENTS:

Treasury Management Strategy:

6.1 Council's operating and capital expenditure decisions are made on the basis of:

- **Community Need** - Identified community needs and benefits relative to other expenditure options;
- **Cost Effectiveness** - Cost effectiveness of the proposed means of service delivery;
- **Affordability** - Of projects and proposals having regard to Council's long term financial sustainability, including consideration of the cost of capital and the impact of the project or proposal on Council's financial and sustainability ratios.
- **Delivery and Maintenance Of Assets** – Based on asset management plans.
- **Strategic Partnerships** – Where the "multiplier effect" will mean that more can be delivered supported by Council funds and contribution from partners e.g. federal or state government grants or commercial organisation contributions.

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6.2 The treasury management policy is a key driver of financial sustainability over the life of the LTFP and as such Council manages its finances holistically in accordance with its overall financial sustainability strategies and targets:

- **Retention of funds** - Will not retain and quarantine money for particular future purposes unless required by legislation or agreement with other parties;
- **LTFP** - Will borrow funds in accordance with the requirements set out in its Long Term Financial Plan;
- **Offset** - Will apply any funds that are not immediately required to meet approved expenditure (including funds that are required to be expended for specific purposes but are not required to be kept in separate bank accounts) to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required; and
- **Cash flow shortfalls** - Meeting immediate cash flow shortfalls initially by redeeming invested funds. Where there are no (or insufficient) funds invested they may be drawn down against Council's Convertible Cash Advance Debenture (CAD) facilities at the LGFA approved in the short to medium-term in accordance with delegations.

~~The consideration whether borrowings are required to fund the operating or capital expenditure will be addressed as a separate decision to the commitment to the operating/capital expenditure. However, overall potential impact on the Council's debt and/or equity position will be considered for all major operating and capital expenditure decisions. The treasury management decision will be in accordance with the criteria specified in this policy.~~

~~Council manages its finances holistically in accordance with its overall financial sustainability strategies, ratios and targets. This means Council will only borrow funds when it needs funds corporately, rather than basing this decision on the funding requirements of the particular operating or capital project.~~

~~Council recognises that on average the rate of return it can receive from investing money is less than the interest rate charged on borrowed funds. For this reason, it will not retain and/or quarantine money for particular funding purposes (except where so required by legislation or agreement with other parties). Instead, Council will seek to apply any funds it has that are not immediately required to meet approved expenditure, to reduce its level of borrowings or to defer and/or reduce the level of new borrowings that would otherwise be required.~~

~~For example: where funds are received for specific purposes, these funds will be pooled by Council based on its treasury management policy, independent of the need to use these funds at a later stage for the specific purposes for which the funding was received.~~

6.3 Key Financial Indicators (KFIs)

- Council ensures long term financial sustainability using key financial indicators in its LTFP. Council has the following targets:
 - **Operating Surplus Ratio** – To achieve a positive operating surplus ratio by FY 2027.
 - **Net Financial Liabilities Ratio** – Achieve a target of greater than zero but less than or equal to 100% of total operating revenue by FY 2027; and



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- **Asset Renewal Funding Ratio** - Maintain asset renewal funding ratio of greater than or equal to 100% of Asset Management Plan.

7. BORROWINGS:

Borrowings are not a form of income and do not replace the need for Council to generate sufficient operating income to service its operating requirements.

Undertaking borrowings gives rise to both an asset (the cash it provides) and a liability (the obligation to repay the money borrowed).

There are many types of borrowings available and Council **will does** consider these when borrowing to minimise net interest costs on average over the longer term and to manage interest rate movement risks.

Council **does** manages its cash holistically within the constraints of its overall financial strategies and key financial indicators aligned with this policy in the medium to long term (as modelled in the LTFP).

7.1 Annual Debt Limit:

- On an annual basis, Council will consider its debt limit to ensure that funds are available as required to support approved outlays and to account for working capital requirements.
- The annual debt level will vary from the opening and closing debt disclosed in the Annual Business Plan and Budget due to the timing of receipt of funds from income and the timing of payments for the provision of goods and services.

7.2 Fixed and Variable Interest Rate Borrowings:

- **Annual Review** - Council recognises that future movements in interest rates are uncertain. It considers that by having a combination of different termed fixed and variable interest rate borrowings it is, in the longer term, well positioned to limit its interest rate risk and therefore its net interest costs over the longer term. Council will review its mix of fixed verses variable borrowings / loans on an annual basis.
- **Maturity Dates** - In order to spread its exposure to interest rate movements, Council aims, subject to its overall debt level, to have a variety of maturity dates on its borrowings.
- **Fixed Interest Rate Borrowings** - May be either of a:
 - **Credit foncier basis** - That is incorporating regular principal and interest repayments; or
 - **Fixed interest rate payments only** - with or without terms that allow the full amount of principal to be repaid, or rolled over at maturity.
- **Debt Structure** - Council recognises that there is usually a margin between borrowing and investment rates and that it can generate savings by structuring its portfolio of borrowings so that cash inflows that are surplus to short or medium term needs can be applied, in the first instance, to reduce the level of borrowings that would otherwise be necessary. For this reason Council will, as necessary,



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restructure its portfolio of borrowings, as old borrowings mature and new ones are raised to provide for this level of flexibility.

- **Flexible Borrowings** - Council will make use of variable interest rate borrowings facility (for example the Local Government Financing Authority's (LGFA) Cash Advance Debenture (CAD) facility) that requires interest payments only and that enables any amount of principal to be repaid or redrawn at call. The redraw facility will provide Council with access to liquidity when needed. The outstanding level of draw-downs on the facility may vary significantly during a year and between years with the timing and extent of cash inflows and outflows.

7.3 Finance Leases:

- Where Council enters into a Finance Lease this is in essence a borrowing transaction and should be considered holistically in accordance with Council's overall borrowing policy. An evaluation of lease versus debt will be performed to determine the best return to Council.
- Disclosure of lease costs is to be provided in the annual financial statements in accordance with Australian Accounting Standards.

8. INVESTMENTS:

- 8.1 **Risk Management** - Council is committed to openness and transparency in its financial management practices and sets out to ensure that investments are made in such a way as to maximise returns, while ensuring that risks are minimised and maintaining compliance with appropriate legislation.
- 8.2 **Legislation** - The *Local Government Act 1999* sets requirements for councils to review and report on the performance of their investments. All investments are to be made in accordance with the provisions of the *Local Government Act 1999*, in particular attention to Sections 139 and 140. These requirements obligate the officers who are responsible for investing Council's funds to act with care, diligence and skill that a prudent person of business would exercise in managing the affairs of other persons and be aware of their responsibilities.
- 8.3 **Review** - To maximise returns to Council for funds invested, the bank account balance of Council is assessed on a regular basis and be set at a level that meets Council's operational requirements. Council management may from time to time invest surplus funds with the LGFA or other financial institutions subject to these investments being capital-guaranteed.
- 8.4 **Investment Type** - Council funds available for investment will be lodged 'at call' or, having regard to differences in interest rates for fixed term investments of varying maturity dates, may be invested for a fixed term. In the case of fixed term investments the term should not exceed a point in time where the funds otherwise could be applied cost-effectively either by deferring the need to raise a new borrowing or by reducing the level of Council's variable interest rate borrowing facility.
- 8.5 **Best Value** - When investing funds, Council will select the investment type which delivers the best value, having regard to investment returns, transaction costs and other relevant and objectively quantifiable factors.



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8.6 **Approval** - Investments fixed for a period greater than 12 months are to be approved by Council.

9. REPORTING:

At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy document. The report shall highlight:

- For each Council borrowing and investment, the quantum of funds, its interest rate and maturity date, interest income/expense and changes in the quantum since the previous report; and,
- The proportion of fixed interest rate (split between interest-only borrowings and credit foncier borrowings) and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across the period along with key reasons for significant variances compared with the targets specified in this policy.

10. EDUCATION/TRAINING:

Training is provided to the Executive and Elected Members when communicating the details of the annual budget and LTFP.

11. REVIEW & EVALUATION

This Policy is scheduled for review by Council in Month 20##; however, will be reviewed as required by any legislative changes which may occur.

12. AVAILABILITY OF POLICY

This Policy will be available for inspection at Council's principal office during ordinary business hours and on the Council's website www.mountgambier.sa.gov.au. Copies will also be provided to interested members of the community upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

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File Reference:	AF18/48
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Reference: Strategic Plan – Beyond 2015	Goal 3, Strategic Objective Our Diverse Economy
Related Policies:	B300 Budget Framework Policy
Related Procedures:	Nil
Related Documents:	Financial Sustainability Information Papers: <ul style="list-style-type: none"> • 01 Financial Sustainability • 08 Long Term Financial Plans • 09 Financial Indicators • 10 Debt • 15 Treasury Management

DOCUMENT DETAILS

Responsibility:	GENERAL MANAGER SHARED SERVICES
Version:	9.0
Last revised date:	18 February 2020
Effective date:	## th Month, 201#
Minute reference:	## th Month, 201# Operational/Corporate & Community Services, Item #
Next review date:	Month, 201#
<u>Document History</u>	
First Adopted By Council:	15 th April, 2008
Reviewed/Amended:	June 2008, April 2009, December 2012, November 2013, October, 2016, 16 January 2018, 18 February 2020



5.5 COUNCIL INVESTMENTS & BORROWINGS

Meeting: Audit Committee
CM9 Reference: AF11/863
Author: Julie Scoggins, Manager Finance
Authoriser: Darren Barber, General Manager Shared Services

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR21/71204 titled 'Council Investments & Borrowings' as presented on 08 November 2021 be noted.



SUMMARY

1. **Investments** - Council's investments earned \$325 of interest in 2020/21, and the LGFA bonus paid was \$17,019.
2. **Borrowings** - At 30 June 2021 were \$13,720,914, with additional budgeted borrowings not required due to the timing of the Wulanda Recreation and Convention Centre construction and of some other planned capital works expenditure.

BACKGROUND

1. **Legislation** - In accordance with Section 140 of the Local Government Act,

A council must, at least once in each year, review the performance (individually and as a whole) of its investments.

2. **Treasury Management Policy Required Reporting** - As detailed in T150 Treasury Management Policy:

At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy document. The report shall highlight:

- *For each Council borrowing and investment, the quantum of funds, its interest rate and maturity date, interest income/expense and changes in the quantum since the previous report; and,*
- *The proportion of fixed interest rate (split between interest-only borrowings and credit foncier borrowings) and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across the period along with key reasons for significant variances compared with the targets specified in this policy.*

3. **Holistic Management of Funds** - In accordance with Council's Treasury Policy, funds are managed holistically in accordance with its overall financial sustainability strategies and targets. Funds are not quarantined for particular future purposes, unless required by legislation.
4. **Investments** - Any funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, are invested either with the Local Government Finance Authority (LGFA) or in interest bearing deposits at Westpac.
5. **Banking Services** - Westpac is the current provider of Council's transactional banking services.
6. **LGFA** - The LGFA is administered by a Board of Trustees, and works for the benefit of Councils and other Local Government Bodies within South Australia. It is not part of the Crown, nor is it an agency or instrumentality of the Crown. All South Australian Councils are automatically members of the LGFA, but use of LGFA services for investments and loans is entirely voluntary. In accordance with Section 24 of the *Local Government Finance Authority Act 1983*, *the Treasurer of South Australia guarantees all of the Authority's liabilities, including monies accepted on deposit from clients.*
7. **Annual Distribution** - Member Councils who support the Authority with deposits, or who use their loan facilities, receive an annual distribution (known as the LGFA Bonus) based on deposit and loan utilisation.
8. **Loan Facilities** - Council loan facilities as at 30 June 2021 were as follows:



Facility	Expiry Date	Interest Date	Facility Limit	Drawn Down at 30/06/21
CAD 104	15/12/2023	1.30%	\$3,200,000	\$3,200,000
CAD 104	17/05/2024	1.30%	\$800,000	\$800,000
CAD 106	15/04/2026	2.05%	\$10,000,000	\$1,550,000
CAD 104	17/06/2028	2.05%	\$1,000,000	\$1,000,000
CAD 105	17/08/2030	2.05%	\$5,000,000	\$5,000,000
Library Credit Foncier	15/06/2024	5.97%	\$2,170,914	\$2,170,914
Total			\$22,170,914	\$13,720,914

9. **Accounting Adjustments** – This report provides a summary of the performance of Council's investments and borrowings and as such does not include accounting adjustments for AASB 16 Leases and AASB 9 Financial Instruments.

DISCUSSION

Investments:

Investment Accounts - Council held funds with both the LGA and Westpac.

10. **LGFA Funds** -The balance of Council funds held at 30 June 2021 was \$1,797,608. This represented a decrease of \$1,812,016 on 30 June 2020.
11. **LGFA Interest/Bonus** - Bonus payment from the LGFA paid in 2020/21 was \$17,019.
12. **Westpac Account** - Funds are held with the Westpac.
13. **Westpac Funds** - The balance of funds held at 30 June 2021 was \$123,132, a decrease of \$562,710 from 30 June 2020.

Borrowings:

14. **Borrowings** - Council borrowing at 30 June 2021 was \$13,720,914, including \$11,550,000 in cash advance debentures at varying rates (as above), and in a fixed term loan of \$2,170,914 used to finance the library upgrade.
15. **Cash Advance** - An additional CAD (106) was approved in April 2021.
16. **CAD Interest Rate** - The CAD interest rates at 30 June 2021 were as shown in the table included in the background.
17. **Credit Foncier** - The only current fixed term loan was raised to finance the library upgrade.

ATTACHMENTS

Nil



**5.6 REVIEW OF DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE –
REPORT NO. AR21/67856**

Committee:	Audit Committee
Meeting Date:	8 November 2021
Report No.:	AR21/67856
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Finance
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	This report is presented to enable the Audit Committee to review the Draft Audit and Risk Committee Terms of Reference and provide a recommendation to Council to adopt at the next Council meeting.
Strategic Plan Reference:	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR21/67856 titled 'Review of Draft Audit and Risk Committee Terms of Reference' as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Authorises the General Manager Shared Services in liaison with the Presiding Member to make any minor amendments to the draft Audit and Risk Committee Terms of Reference that the Committee identifies and to then finalise the document; and
 - (b) Recommend to Council that the draft Audit and Risk Committee Terms of Reference be adopted.



TYPE OF REPORT

Other

BACKGROUND

1. **Decision Making Structure** - Council adopted at its meeting held on 22 November 2018 a decision making structure that included the Audit Committee (a Committee established under s41 of the Local Government Act 1999).
2. **Current Terms of Reference** - The Audit Committee's Terms of Reference - (under 14.2) indicate that the Committee shall at least once every two years review its terms of reference. In addition to the requirement in the Terms of Reference, the Audit Committee works program suggests a yearly review of the Terms of Reference.
3. **Prior Formal Review** - The last formal review by the Committee was on 12 April 2021 and the Terms of Reference were adopted at the Council meeting held on 20 April 2021.
4. **Initial Review** – It was recognised that the initial Draft Terms of Reference presented to the Audit Committee included significant changes for the committee's consideration, and therefore the document was provided as a first draft at the Audit Committee meeting on 20 September 2021 .
5. **Legislative Changes** – It should be noted that these changes will assist the committee in the transition to an Audit and Risk Committee as prescribed in the new Local Government Act Statutes Amendment (Local Government Review) Act 2021.
6. **Initial Review** - An initial review of the Audit & Risk Committee Terms of Reference was undertaken at the Audit Committee meeting on 20 September 2021.
7. **Further Review/Benchmarking** – Following feedback and review of Terms of Reference for other South Australian Councils, further changes were made to the draft Audit & Risk Committee Terms of Reference.
8. **Consultation** - The Office of Local Government is seeking feedback on the second round of draft regulations which will support the implementation of the Statutes Amendment (Local Government Review) Act 2021. This includes items that relate to Audit & Risk Committees.
9. **Audit Committee Member Review** – The draft Terms of Reference was issued to Committee Members in advance of the agenda to enable them to provide further feedback if required.

PROPOSAL

1. **New Legislation** - The new Local Government Act Statutes Amendment (Local Government Review) Act 2021 provides the following provisions:
 - (5) Section 126(2)—delete subsection (2) and substitute:
 - (2) The following provisions apply to the membership of a council audit and risk committee:
 - (a) the majority of the members of the committee must be persons who are not members of any council;
 - (b) the members of the committee (when considered as a whole) must have skills, knowledge and experience relevant to the functions of the committee, including in financial management, risk management, governance and any other prescribed matter;
 - (c) the membership of the committee—
 - (i) may not include an employee of the council (although an employee



- may attend a meeting of the committee if appropriate); and
- (ii) may include, or be comprised of, members of another council audit and risk committee or a regional audit and risk committee; and
 - (iii) must otherwise be determined in accordance with the requirements of the regulations.
- (6) Section 126(4)—delete subsection (4) and substitute:
- (4) The functions of a council audit and risk committee include—
 - (a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
 - (b) proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
 - (c) monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor; and
 - (d) proposing, and reviewing, the exercise of powers under section 130A; and
 - (e) liaising with the council's auditor in accordance with any requirements prescribed by the regulations; and
 - (f) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
 - (g) —
 - (i) if the council has an internal audit function—
 - (A) providing oversight of planning and scoping of the internal audit work plan; and
 - (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or
 - (ii) if the council does not have an internal audit function, reviewing and commenting on an annual report provided by the chief executive officer in relation to the policies and processes adopted by the council to evaluate and improve the effectiveness of its internal control practices and procedures; and
 - (h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and
 - (i) reviewing any report obtained by the council under section 48(1); and
 - (j) performing any other function determined by the council or prescribed by the regulations.



- (5) There must be at least 1 meeting of a council audit and risk committee in each quarter.
 - (6) Subject to this Act, the procedure to be observed at a meeting of a council audit and risk committee will be—
 - (a) as prescribed by regulation; or
 - (b) insofar as the procedure is not prescribed by regulation—as determined by the committee.
 - (7) Without limiting subsection (6)(a), regulations under that subsection may provide for circumstances in which the public may be excluded from attendance at a meeting of a council audit and risk committee.
 - (8) A council audit and risk committee must—
 - (a) provide a report to the council after each meeting summarising the work of the committee during the period preceding the meeting and the outcomes of the meeting; and
 - (b) provide an annual report to the council on the work of the committee during the period to which the report relates.
 - (9) A council must ensure that the annual report of its audit and risk committee is included in its annual report.
2. **Implementation Of Amendments** - Whilst the indicative dates for implementation of the amendments is 2022/2023, many Councils have adopted as best practice an Audit and Risk Committee. The provisions in the Local Government Act 1999 allow for an Audit Committee. However, Council may adopt an Audit and Risk Committee providing the provisions in the act are maintained.
 3. **Review** - The Draft Terms of Reference of the Audit and Risk Committee are presented for review by the Audit Committee prior to recommendation for Council to adopt.

LEGAL IMPLICATIONS

As outlined in this report, the Local Government Act Statutes Amendment (Local Government Review) Act 2021 has been considered in the development of these recommendations.

STRATEGIC PLAN

Nil

COUNCIL POLICY

[T150 Treasury Management Policy](#)

[B300 Budget Framework Policy](#)

[F225 Fraud and Corruption Prevention Policy](#)

[P415 Prudential Management](#)

[R105 Rating](#)

ECONOMIC IMPLICATIONS

Nil

ENVIRONMENTAL IMPLICATIONS

Nil



SOCIAL IMPLICATIONS

Nil

CULTURAL IMPLICATIONS

Nil

RESOURCE IMPLICATIONS

Nil

VALUE FOR MONEY

Nil

RISK IMPLICATIONS

A high functioning Audit and Risk Committee is a valuable resource in Council's overall risk strategy and management.

EQUALITIES AND DIVERSITY IMPLICATIONS

Nil

ENGAGEMENT AND COMMUNICATION STRATEGY

Nil

IMPLEMENTATION STRATEGY

The terms of reference once adopted will be uploaded onto Council's website. Audit & Risk Committee reports will also include details of their alignment to the Terms of Reference.

CONCLUSION AND RECOMMENDATION

This report recommends that the Audit Committee consider its draft terms of reference with the intent of recommending that this final draft is adopted at the next Council meeting.

ATTACHMENTS

1. Draft Audit and Risk Committee Terms of Reference [↓](#) 





Audit and Risk Committee

TERMS OF REFERENCE

A Committee of Council
established pursuant to the provisions of
Sections 126 and 41
of the Local Government Act 1999

Terms of Reference for the conduct of the business of the Audit and Risk Committee were approved and adopted by the City of Mount Gambier at its meeting held on XXXX 2021.



Audit and Risk Committee

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1. ESTABLISHMENT:

- 1.1 **Legislation** - Pursuant to Sections 41 and 126 of the Local Government Act 1999 the Council has established a Committee to be known as the City of Mount Gambier Audit & Risk Committee ("the Committee").
- 1.2 **Functions** - The functions of the Audit and Risk Committee include, per the Local Government Act 1999, Division 2, Section 126 (4):
- (a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
 - (b) proposing and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
 - (c) proposing and reviewing, the exercise of powers under section 130A; and
 - (d) liaising with the council's auditor; and
 - (e) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
- 1.3 **Delegation** - The Committee has no delegation to act, with all recommendations of the Committee (and of any Sub-Committees established by the Committee) to be considered by full Council for final decision and resolution.

2. INTERPRETATION:

- 2.1 For the purpose of these Terms of Reference, unless inconsistent with the subject matter or context:

Term	Interpretation
Act	The Local Government Act 1999 and includes all Regulations and Schedules.
Committee	The Committee of Council established pursuant to clause 3.
Committee Member	The persons appointed by the Council to the Committee pursuant to clause 4.
Commencement Date	The date on which the Committee is established and becomes operative pursuant to clause 3.
Council	The City of Mount Gambier that established the Committee and to which the Committee reports.
Chair Person	The person appointed to that position pursuant to clause 5.
Observers	Those persons attending any meeting of the Committee of Council, but not having a vote on any matter to be determined by the Committee and not having been appointed as Committee Members.
Sub-Committee	A sub-committee established in accordance with the Act.

- 2.2 Any words, phrases or terms used in these Terms of Reference that are defined in the Act shall have the same meaning as are given in the Act.
- 2.3 A reference in these Terms of Reference to a "singular" includes a reference to the "plural" and a reference to a "plural" includes a reference to the "singular".
- 2.4 These Terms of Reference shall be interpreted in line with the provisions of the Act.
- 2.5 **Notices** - All communications to be given to the Committee shall be addressed to:
- City of Mount Gambier Audit and Risk Committee



PO Box 56
MOUNT GAMBIER SA 5290
Email: city@mountgambier.sa.gov.au

3. **AUTHORITY:**

- 3.1 **Overall Objective** - The Committee is created with the express objective of providing considered advice to Council within the scope of its purpose and reasons for establishment.
- 3.2 **Delegation Status** - The Committee does not have delegated powers or delegated financial responsibilities or authority to implement actions in areas over which management has responsibility.
- 3.3 **Management Function** - Therefore, the Committee does not have any management function and is independent to management.
- 3.4 **Council Authorisation** - Within its scope of responsibility, Council authorises the Committee to:
- (a) perform activities within the scope of this Terms of Reference;
 - (b) require the attendance of Senior Council Officers at meetings as required;
 - (c) have access to members of Executive Leadership Team, employees and relevant information;
 - (d) oversee the performance and meet with both the external auditor and the internal auditor;
 - (e) request necessary financial resources to be provided to enable the Committee to receive any necessary legal, accounting or other professional advice.

4. **MEMBERSHIP/COMPOSITION:**

- 4.1 **Membership** - Members of the Audit & Risk Committee are appointed by Council. The size of the Committee be between three (3) and five (5) members (inclusive) consistent with any Regulations and shall consist of:
- At least one (1) Councillor;
 - At least two (2) Independent members.
- 4.2 **Appointment to Committee** - Appointments to the Committee shall be for a period of at least two years, reviewed at a common appointment date every two years. The common appointment date for existing appointees is 31 December. Appointees may be reappointed by Council.
- 4.3 **Resignation** - Of the appointment must be in writing.
- 4.4 **Confidentiality** - Committee members shall not directly or indirectly release or make available to any person any information relating to the work or discussions of the Committee of which he or she is a member or was in his or her possession except in accordance with such terms and in such a manner as stipulated by City of Mount Gambier Council.
- 4.5 **Vacancies** – A vacancy in the membership of the committee will not invalidate any decisions of the committee, provided a quorum is maintained during meetings.



- 4.6 **Advisors** - The Chief Executive Officer (CEO), the General Manager Shared Services (GMSS) and the Manager Finance are not members of the Committee, but should attend meetings in an advisory capacity.
- 4.7 **Role Of Mayor** - Is an ex officio member of the Committee.
- 4.8 **Council Members** - The Council members of the Committee shall be appointed by Council at its Statutory Meeting, unless otherwise determined by the Chairperson of the Committee.
- 4.9 **External Auditors** - Council's external auditors shall be invited to attend a minimum of two (2) meetings of the Committee each financial year. Attendance is at the external auditor's discretion.
- 4.10 **Voting Rights** - Only members of the Committee are entitled to vote (move and second) in Committee meetings.
- 4.11 **Role of Council Staff** - Members of Council's staff may attend any meeting as observers and be responsible for preparing papers for the Committee.
- 4.12 **Committee Meeting Location** - In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public.

5 INDEPENDENT MEMBERS

Independent Members are external members who are neither Councillors or a member of Council staff, as outlined in section 126(2) of the Act.

- 5.1 **Required Skills & Experience** - Independent Members shall have senior business or financial management/reporting knowledge and expertise, and be conversant with the financial, risk management and governance issues, and have extensive accounting, auditing or legal skills and other reporting requirements of Local Government.
- 5.2 **Appointment** - The appointment of external independent members shall be made by Council resolution following public advertisement in the local newspaper and Council website.
- 5.3 **Tenure** - Independent members shall be appointed for a term of two years, after which time Council can choose to exercise an option to renew the appointment for another term. Independent members can only serve for two consecutive terms without public advertisement, however, members may re-apply at the end of their term(s) and be re-appointed for further terms through the public advertisement process.
- 5.4 **Remuneration** - Remuneration paid to independent members will be a set fee per meeting with an additional amount paid to the Chairperson. Travelling costs will also be reimbursed.
- 5.5 **Resignation** - In the event of a resignation of an external independent member or statutory change, the Committee has the option to review unsuccessful applicants from the initial recruitment process and recommend to Council to appoint an applicant, if this occurs within the previous 12 month period.



6. **COUNCIL MEMBERS**

- 6.1 **Appointment** - The Council member(s) of the Committee shall be appointed by Council at its Statutory Meeting, unless otherwise determined by the Chairperson of the Committee.

7 **COMMITTEE CHAIRPERSON:**

- 7.1 **Role** – The role of the Chairperson is to:

- **Meeting Conduct** - Oversee the orderly conduct of meetings in accordance with the *Local Government Act 1999*, the *Local Government (Procedures at Meetings) Regulations 2013* and the Council's Code of Conduct for Meeting Procedures;
- **Guiding Principles** - Ensure that the Guiding Principles in Regulation 4 are observed and that all Committee Members have an opportunity to participate in discussions in an open and responsible manner.
- **Voting Rights** - The Chairperson of the Committee shall have a casting vote on occasions where there is an equal number of votes on a matter.

- 7.2 **Appointment** - The Chairperson of the Committee must be appointed by Council resolution and be an independent member. The Chairperson will be appointed for two years.

- 7.3 **Tenure** - After serving two years, the Committee may choose to appoint the Chairperson for a further one year term or the Committee may choose to nominate another Chairperson from the independent membership for a one year term. The process will be dependent on the Committee seeking nominations from the current independent membership and providing a report for noting to the Council.

- 7.4 **Acting Chairperson** - In the absence of the appointed Chairperson from a meeting, the meeting will appoint an acting Chairperson from the Independent members present at the meeting.

8. **NOTICE OF MEETINGS:**

- 8.1 The Committee shall conduct its meetings in the Council Chamber, 10 Watson Terrace, Mount Gambier.

- 8.2 In accordance with Section 87 of the Act a notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and observers, no later than three (3) clear days before the date of the meeting. Supporting papers shall be sent to Committee Members (and to other attendees as appropriate) at the same time.

9. **MEETINGS AND DOCUMENTATION:**

- 9.1 **Number of Meetings** - The Committee have an ordinary meeting at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

- 9.2 **Additional Meetings** – Shall be convened at the discretion of the Chairperson or at the written request of a Committee member, the CEO or the internal or external auditors.



- 9.3 **Quorum** - At all meetings of the Committee a quorum must be present, noting the following:
- No business shall be transacted at any meeting of the Committee unless a quorum of Members is present.
 - A quorum will be determined by dividing by 2 the number of Members formally appointed to the Committee ignoring any fraction and adding 1. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any authorities, powers and discretions vested in or exercisable by the Committee.
- 9.4 **Role of Chairperson** - The Chairperson, when physically present, shall preside at all meetings of the Committee and at any other time the Committee shall appoint an Acting Chairperson who shall preside at that meeting.
- 9.5 **Voting Rights** - Each Member of the Committee including the Chairperson present at any meeting of the Committee must vote on any matter requiring determination and all decisions shall be decided on a simple majority of votes cast.
- 9.6 **Deliberate Vote** - Each Member of the Committee including the Chairperson present at any meeting of the Committee shall have one deliberate vote only.
- 9.7 **Meeting Access** - In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Local Government Act 1999 and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 9.8 **Documents** - Members of the public shall have access to all documents related to the Committee unless prohibited by resolution of the Committee under the confidentiality provisions of Section 90 and 91 of the Local Government Act 1999.

10. MINUTES OF MEETINGS:

- 10.1 **Role of The CEO** - The CEO shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present are minuted and that the minutes otherwise comply with the requirements of the *Local Government (Procedure at Meetings) Regulations 2013*.
- 10.2 **Minutes Review** - The Chairperson will review the minutes within one week of the meeting and these will be presented to the next practicable Council meeting. The minutes will then be formally approved at the subsequent meeting of the Committee.
- 10.3 **Minutes Availability** – Minutes shall be made available to all Members of the Committee, Council and the public.
- 10.4 **Minutes Confirmation** - Minutes of the Committee Meeting shall be submitted for confirmation at the next meeting of the Committee and if confirmed, shall be signed by the Chairperson or other person presiding at the subsequent meeting.
- 10.5 **Submission To Council** - Minutes of the Committee Meeting and any recommendations (including the minutes and recommendations of any Sub-Committee established by the Committee) shall be submitted to Council and shall be of no effect until endorsed as a resolution of Council.



11. MEETING PROCEDURE:

- 11.1 **Legislation** - The Committee shall conduct meetings in accordance with the *Local Government Act 1999* and *Local Government (Procedures at Meetings) Regulations 2013*.
- 11.2 **Conflict of Interest** – Conflict of Interest declarations pursuant to S 73 – 75B of the Local Government Act 1999.

12. ROLE OF THE AUDIT AND RISK COMMITTEE:

12.1 Financial Reporting:

The Committee shall:

12.1.1 **Financial Statements** - Monitor the integrity of the financial statements of the Council, including in its annual report, reviewing significant financial reporting issues and judgements which they contain.

12.1.2 **Review and challenge** - where necessary:

- The consistency of, and/or any changes to accounting policies.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditor.
- The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

12.2 Internal Controls and Risk Management Systems

The Committee shall:

12.2.1 **Effectiveness** - Monitor the effectiveness of the Council's internal controls and risk management systems; and

12.2.2 **Review and recommend the approval** - Where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

12.2.3 **Risk Profile** - Keep under review Council's overall risk profile and monitor risk exposure.

12.2.4 **Risk Management** - Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.

12.2.5 **Risk Management Framework** - Review Council's Risk Management Policy and Framework and risk profile. Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately.

12.2.6 **Risk Register** - Receive status reports on a regular basis of the risk register and actions being taken to manage identified risks.



12.3 Public Interest Disclosure Act

The Committee shall:

12.3.1 Council's Arrangements - Review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

12.3.2 The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

12.4 Internal Audit (where Council does not have a separate internal audit function)

The Committee shall:

12.4.1 Monitor and Review - The effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.

12.4.2 Program - Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.

12.4.3 Reports - Review all reports on the Council's operations from the internal auditors.

12.4.4 Findings and Recommendations - Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor; and

12.4.5 Direct Access - Provide the internal Auditor with the right of direct access to the Mayor of the Council and to the Chairperson of the Committee.

12.5 External Audit:

The Committee shall:

12.5.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.

12.5.2 Selection/Resignation Process - The Committee shall oversee the selection process for a new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

12.5.3 Relationship - Oversee Council's relationship with the external auditors including, but not limited to:

- **Remuneration** - Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted.
- **Terms of Engagement** - Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit.



- **Independence & Objectivity** - Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the external auditors, including the provision of any non-audit services.
 - **Relationships** - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business).
 - **Assessment** - Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the Committee's own internal quality procedures).
 - **Follow up** - Action(s) to follow up on matters raised by the external auditors.
- 12.5.4 **Meeting** - Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year to discuss the external auditor's report and any issues arising from the audit.
- 12.5.5 **Annual Audit Plan** - Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
- 12.5.6 **Audit Findings** - Review the findings of the audit with the auditor. This shall include, but not be limited to, the following:
- A discussion of any major issues which arose during the external audit;
 - Any accounting and audit judgements; and
 - Levels of errors identified during the external audit.
- 12.5.7 **Effectiveness** - The Committee shall also review the overall effectiveness of the external auditor.
- 12.5.8 **Representation Letter(s)** - Review any representation letter(s) requested by the auditor before they are signed by management.
- 12.5.9 **Management Letter** - Review the management letter and management's response to the external auditor's findings and recommendations. Subsequent to the initial review the Committee will oversee action to follow up on matters raised by the external auditors.
- 12.6 **Review of Strategic Management and Business Plans:**
The Committee shall review and provide advice on Council's strategic management plans (at the time of their preparation and scheduled review), which include the following:
- Strategic Plan;
 - Key principles and assumptions of the Long Term Financial Plan;
 - Various Asset Management Plans; and
 - Annual Business Plan.

12.7 **Prudential Reports:**



12.7.1 **Review** - The Committee shall provide advice on the management of any prudential reports prepared for Council and provide advice to Council.

13. OTHER MATTERS:

The Committee:

- 13.1 **Annual Work Program** - The Committee must adopt an annual work program.
- 13.2 **Oversee Investigations** - Shall oversee any investigation of activities that are within its Terms of Reference.
- 13.3 **Other Matters** - Shall give consideration to:
- **Relevant Audits** – Consider the findings and recommendations of relevant audits undertaken by the SA Auditor General's Office, the South Australian Ombudsmen, Independent Commissioner Against Corruption (ICAC) and other agencies to ensure Council considers the relevant recommendations.
 - **Any Other Matters** - any other matters referred to it by Council meeting resolution or the CEO.
- 13.4 **Resources** - Shall have access to reasonable resources to carry out its duties.
- 13.5 **Training** - Be provided with appropriate and timely training, both in the form of an induction program for new members and an ongoing basis for all members.
- 13.6 **Insurance** - Shall advise Council's insurers of any civil liability or risk management issue. It should also be noted that Members of the Committee will be covered by Council's insurance policies while engaged in the business of the Committee.
- 13.7 **Legislation** - Give due consideration to the *Local Government Act 1999* and regulations made under the Act.

14. REVIEW/REPORTING:

- 14.1 **Recommendations** - The Committee shall make whatever recommendations to Council it deems appropriate on any area within these Terms of Reference where in its view action or improvement is needed.
- 14.2 **Self Assessment Reports** - The Committee will at least once a year, review its own performance and provide a Self Assessment Report to the CEO for tabling at the next Council meeting.
- 14.3 **Biannual Report** – The Committee must prepare a biannual report to Council describing the activities of the Committee including its findings and recommendations. This report will be provided to the CEO for tabling at the next Council meeting.
- 14.3 **Terms of Reference** – The Committee shall at least once every two years review its terms of reference.
- 14.4 **Council Review** - Council may review and amend the Committee Terms of Reference at any time, providing that the Committee has an opportunity to provide Council with any concerns that arise.



15. **ACCESS TO TERMS OF REFERENCE:**

- 15.1 The Audit and Risk Committee Terms of Reference is available for public inspection at the Customer Centre, 10 Watson Terrace, Mount Gambier, South Australia and on the Council's website www.mountgambier.sa.gov.au





6 CONFIDENTIAL ITEMS

6.1 CITY OF MOUNT GAMBIER - IT ENTITY CONTROLS REVIEW 2020/21 – REPORT NO. AR21/71285

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit Committee orders that all members of the public, except Mayor L Martin, Councillor S Meziniec, Independent Member P Duka, and Auditor T Muhlhausler and Council Officers S Philpott, D Barber, J Scoggins and R Datta be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 6.1 AR21/71285 City of Mount Gambier - IT Entity Controls Review 2020/21.

The Audit Committee is satisfied that, pursuant to section 90(3) (b), (e) and (g) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is
 - conducting business; or
 - proposing to conduct business; or
 - to prejudice the commercial position of the Council
- matters affecting the security of
 - the Council, or
 - Council Members, or
 - employees of the Council, or
 - Council property, or
 - the safety of any person
- information concerning matters that must be considered in confidence in order to ensure that the Council does not:
 - breach any law, order or direction of a court or tribunal constituted by law,
 - breach any duty of confidence, or
 - breach any other legal obligation or duty

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be considered with this item relates to the security of Council property comprising information, data and information systems, including information of a commercial nature relating to Council systems, and provided on a confidential basis by Council's Auditors. The disclosure of this information would breach the confidence of the party that provided the information and could reasonably be expected to create a security risk for Council and potential advantage to 3rd party service providers and prejudice the commercial position of Council in service negotiations. The public interest in the non-disclosure of this information lies in protecting the community from unnecessary and avoidable costs associated with managing data security.

CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 6.1 AR21/71285 City of Mount Gambier - IT Entity Controls Review 2020/21 and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (b), (e) and (g) be kept confidential and not available for public inspection until the matters contained in the report have been satisfactorily addressed.
2. Further that Council delegates the power to review, revoke, but not extend the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

7 MEETING CLOSE



**MINUTES OF CITY OF MOUNT GAMBIER
AUDIT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT
GAMBIER
ON MONDAY, 20 SEPTEMBER 2021 AT 5.30 P.M.**

PRESENT: Mayor Lynette Martin (OAM), Cr Sonya Mezinec (Presiding Member), Mr Paul Duka, Ms Angela Kain

IN ATTENDANCE: Mr Tim Mulhausler, Galpins (virtual)

OFFICERS IN ATTENDANCE:	Chief Executive Officer	- Mrs S Philpott
	General Manager Shared Services	- Mr D Barber
	General Manager City Growth	- Mr T Coote
	General Manager City Infrastructure	- Ms B Cernovskis
	Manager Finance	- Mrs J Scoggins
	Team Leader Finance	- Mrs K Harradine
	Executive Administrator Community Wellbeing	- Ms A Lavia

1 ACKNOWLEDGEMENT OF COUNTRY

WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Angela Kain

That the minutes of the Audit Committee meeting held on 12 April 2021 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil



5 REPORTS

5.1 2020/21 FINANCIAL STATEMENTS

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR21/58199 titled '2020/21 Financial Statements' as presented on 20 September 2021 be noted.
2. That in accordance with Section 126 (4) (a) of the Local Government Act 1999, the draft annual financial statements of Council for the financial year 2020/21 have been reviewed and 'they present fairly the state of affairs of the council'.
3. That for the financial year ended 30 June 2021, the Audit Committee recommends that:
 - (a) Council adopts the annual financial statements and as presented at the meeting held 20 September 2021 as final.
 - (b) The Chief Executive Officer and the Mayor of the City of Mount Gambier be authorised to certify the financial statements.
4. That the Presiding Member of the Audit Committee and the Chief Executive Officer of the City of Mount Gambier be authorised to sign Council's Certification of Auditor Independence Statement that will accompany the financial statements for the financial year ended 30 June 2021.
5. That the Auditor's representative, Mr Tim Mulhausler's verbal report providing an overview of the audit report as presented to the Audit Committee Meeting on 20 September 2021 be noted.
6. The Audit Completion Report, Management Representation Letter and Interim Management Letter be noted.

CARRIED

5.2 COMPARISON OF ACTUAL TO BUDGET FOR THE YEAR ENDING 30 JUNE 2021

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Angela Kain

1. That Audit Committee Report No. AR21/58235 titled 'Comparison of Actual to Budget for the year ending 30 June 2021' as presented on 20 September 2021 be noted.
2. That the estimates comparison for the financial year ending 30 June 2021 be adopted.

CARRIED



5.3 REVIEW OF DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Presiding Member sought the approval of at least two-thirds of the members present at the meeting to suspend meeting procedures:

Purpose of the Suspension: to discuss the draft Audit and Risk Committee terms of reference

Carried by more than two-thirds of the members present at the meeting.

Meeting Procedures were suspended at 6:08 pm.

The Presiding Member determined that the period of suspension should be brought to an end;

Carried by more than two-thirds of the members present at the meeting.

The Period of Suspension came to an end and Meeting Procedures resumed at 6:22 pm.

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR21/58970 titled 'Review of Draft Audit and Risk Committee Terms of Reference' as presented on 20 September 2021 be noted.
2. That the Draft Audit and Risk Committee terms of reference be reviewed with the intent to adopt at the next scheduled Audit Committee meeting.

CARRIED

5.4 LOCAL GOVERNMENT ACT 2021 CHANGES

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR21/58959 titled 'Local Government Act 2021 Changes' as presented on 20 September 2021 be noted.

CARRIED

5.5 RISK REPORT

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Angela Kain

1. That Audit Committee Report No. AR21/58960 titled 'Risk Report' as presented on 20 September 2021 be noted.
2. That Council's Audit Committee receives a further Risk Evaluation Report in February 2022 following the November 2021 Risk Management Evaluation, detailing findings, recommendations, and associated action plan.

CARRIED



5.6 WORK HEALTH, SAFETY AND WELLBEING

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Angela Kain

1. That Audit Committee Report No. AR21/58962 titled 'Work Health, Safety and Wellbeing' as presented on 20 September 2021 be noted.
2. That Council's Audit Committee receives a regular Work Health Safety and Wellbeing report presenting a quarterly update on performance, compliance and initiatives.

CARRIED

6 MOTIONS WITHOUT NOTICE

Nil

7 MEETING CLOSE

The Meeting closed at 6:41 pm.

The minutes of this meeting were confirmed at the Audit Committee held on 8 November 2021.

.....
PRESIDING MEMBER

