



Civic Centre, 10 Watson Terrace  
Mount Gambier SA 5290

PO Box 56  
Mount Gambier SA 5290

Telephone 08 87212555  
Facsimile 08 87249791  
[city@mountgambier.sa.gov.au](mailto:city@mountgambier.sa.gov.au)

[mountgambier.sa.gov.au](http://mountgambier.sa.gov.au)

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

**Date: Monday, 12 April 2021**  
**Time: 5.30 p.m.**  
**Location: Council Chamber**  
**Civic Centre**  
**10 Watson Terrace**  
**Mount Gambier**

# **AGENDA**

## **Audit Committee Meeting** **12 April 2021**

A handwritten signature in black ink, appearing to read 'Barbara Cernovskis', is positioned above the printed name.

**Barbara Cernovskis**  
**Acting Chief Executive Officer**  
**8 April 2021**

## Order Of Business

<b>1</b>	<b>Acknowledgement of Country</b> .....	<b>3</b>
<b>2</b>	<b>Apology(ies)</b> .....	<b>3</b>
<b>3</b>	<b>Confirmation of Minutes</b> .....	<b>3</b>
<b>4</b>	<b>Questions without Notice</b> .....	<b>3</b>
<b>5</b>	<b>Reports</b> .....	<b>4</b>
5.1	Review of terms of reference – Report No. AR21/20133.....	4
5.2	Audit Committee works program – Report No. AR21/19856.....	18
5.3	Quarterly Budget Review 2 2020/21 – Report No. AR21/19238 .....	24
5.4	Internal Controls - Proposed Budget process improvements – Report No. AR21/19525 .....	36
<b>7</b>	<b>Confidential Items</b> .....	<b>41</b>
	Nil	
<b>8</b>	<b>Meeting Close</b> .....	<b>42</b>
	Attachments Item 3      Audit Committee Meeting - 14 December 2020 .....	43



**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**

[Audit Committee Meeting - 14 December 2020](#)

**RECOMMENDATION**

That the minutes of the Audit Committee meeting held on 14 December 2020 be confirmed as an accurate record of the proceedings of the meeting.

**4 QUESTIONS WITHOUT NOTICE**



## 5 REPORTS

### 5.1 REVIEW OF TERMS OF REFERENCE – REPORT NO. AR21/20133

<b>Committee:</b>	<b>Audit Committee</b>
<b>Meeting Date:</b>	<b>12 April 2021</b>
<b>Report No.:</b>	<b>AR21/20133</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Colin McGregor, Management Accountant</b>
<b>Authoriser:</b>	<b>Darren Barber, General Manager Shared Services</b>
<b>Summary:</b>	<b>This report is presented to enable the Audit Committee to review its Terms of Reference</b>
<b>Strategic Plan Reference:</b>	<b>Goal 3: Our Diverse Economy</b>

#### REPORT RECOMMENDATION

1. That Audit Committee Report No. AR21/20133 titled 'Review of terms of reference' as presented on 12 April 2021 be noted.
2. That the Audit Committee terms of reference be adopted with the following changes



## **TYPE OF REPORT**

Corporate

## **BACKGROUND**

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).

The Audit Committee's Terms of Reference (under 9.6) 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.

The last formal review by the Committee was on 25 March 2020 and adopted at the Council meeting held on 21 April 2020. At the Audit Committee meeting on 14 December 2020 the Terms of Reference were updated to clarify the size of the committee and was adopted by Council on 19 January 2021.

The Terms of Reference that was adopted on 19 January 2021 is attached to this report

## **PROPOSAL**

The decision making structure adopted by Council includes all s41 Committees of which the Audit Committee is one and the committee reports directly to Council.

In considering any changes to the Audit Committee terms of reference, the Committee should consider the:

- Scope and objectives;
- The Local Government Act – Section 126 – requirements;
- The extent to which the terms of reference align and are consistent with Council's decision making structure for the benefit of Members and to maintain administrative consistency. Accordingly, the terms of reference have been updated to be aligned with the format and content of the recently created terms of reference for the Economic & Environment Committee and the People and Place Committee;
- The terms of reference state they shall be reviewed at least once every two years;
- The terms of reference were reviewed and adopted within the past 16 months, and;
- A new independent member on the Committee (May 2019) since last review of the terms of reference.

The Committee may consider recommending to Council for endorsement any required changes to the attached Terms of Reference.

## **LEGAL IMPLICATIONS**

Nil

## **STRATEGIC PLAN**

Nil

## **COUNCIL POLICY**

Nil

## **ECONOMIC IMPLICATIONS**

Nil

## **ENVIRONMENTAL IMPLICATIONS**

Nil



**SOCIAL IMPLICATIONS**

Nil

**CULTURAL IMPLICATIONS**

Nil

**RESOURCE IMPLICATIONS**

Nil

**VALUE FOR MONEY**

Nil

**RISK IMPLICATIONS**

Nil

**EQUALITIES AND DIVERSITY IMPLICATIONS**

Nil

**ENGAGEMENT AND COMMUNICATION STRATEGY**

Nil

**IMPLEMENTATION STRATEGY**

Nil

**CONCLUSION AND RECOMMENDATION**

This report recommends that the Audit Committee consider its terms of reference with a view to recommending their adoption as presented with the report.

**ATTACHMENTS**

1. Terms of reference for Councils Audit Committee - January 2021 [↓](#)





## **Audit Committee**

### **TERMS OF REFERENCE**

A Committee of Council  
established pursuant to the provisions of  
Section 41  
of the Local Government Act 1999

Terms of Reference for the conduct of the business of the Audit Committee were approved and adopted by the City of Mount Gambier at its meeting held on 19 January 2021.



## Audit Committee

The functions of the Audit Committee include, per the Local Government Act 1999, Division 2, Section 126 (4):

- Reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
  - Proposing and provide information relevant to, a review of the council's strategic management plans or annual business plan; and
  - Proposing and reviewing, the exercise of powers under section 130A; and
- Liaising with the council's auditor; and
- Reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis





**Audit Committee**

**CONTENTS**

1	NAME	1
2	INTERPRETATION	1
3	OBJECTIVES	1
4	MEMBERSHIP	1
5	ADMINISTRATIVE RESOURCES	2
6	QUORUM	3
7	MEETINGS OF THE COMMITTEE	3
8	PROCEDURES AT MEETINGS	3
9	DELEGATION	3
10	MINUTES OF THE COMMITTEE	4
11	ROLE OF THE COMMITTEE	4
12	REPORTING RESPONSIBILITIES	7
13	COMMITTEE REQUIREMENTS	7
14	AMENDMENTS TO TERMS OF REFERENCE	7
15	INTERPRETATION OF TERMS OF REFERENCE	7
	Appendix: Most recent sitting fees:	7



## **1 NAME**

- 1.1 The name of the Council Committee shall be the Audit Committee (in these Terms of Reference referred to as "the Committee").

## **2 INTERPRETATION**

- 2.1 For the purpose of these Terms of Reference, unless inconsistent with the subject matter or context:
- 2.1.1 "Act" means the Local Government Act 1999 and includes all Regulations and Schedules.
  - 2.1.2 "Committee" means the Committee of Council established pursuant to clause 3.
  - 2.1.3 "Committee Member" means the persons appointed by the Council to the Committee pursuant to clause 5.
  - 2.1.4 "Commencement Date" means the date on which the Committee is established and becomes operative pursuant to clause 3.
  - 2.1.5 "Council" means the City of Mount Gambier that established the Committee and to which the Committee reports.
  - 2.1.6 "Presiding Member of the Committee of Council" means the person appointed to that position pursuant to clause 5.
  - 2.1.7 "Observers" means 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.
  - 2.1.8 "Sub-Committee" means 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
- 2.5.1 All communication to be given to the Committee shall be addressed to:  
  
City of Mount Gambier Audit Committee  
PO Box 56  
MOUNT GAMBIER SA 5290  
Email: [city@mountgambier.sa.gov.au](mailto:city@mountgambier.sa.gov.au)

## **3 OBJECTIVES**

- 3.1 The Committee is created with the express objective of providing considered advice to Council within the scope of its purpose and reasons for establishment.

## **4 MEMBERSHIP**

- 4.1 Members of the Committee are appointed by Council.



- 4.2 The Committee will consist of at least one independent member with at least one additional member from the Elected Members of Council, consistent with any Regulations. The size of the committee shall be between three (3) and five (5) members (inclusive). A vacancy in the membership of the audit committee will not invalidate any decisions of the audit committee, provided a quorum is maintained during meetings. The Mayor is an ex officio member of the Committee.
- 4.3 Independent member(s) of the Committee must meet at least one of the following minimum requirements for membership:
- Have recent and relevant financial qualifications and/or experience in a relevant financial role
  - Working knowledge of risk management
  - Working knowledge of internal controls
  - Experience with internal and/or external auditing.
- 4.4 Only members of the Committee are entitled to vote (move and second) in Committee meetings. Members of Council's staff may attend any meeting as observers and be responsible for preparing papers for the Committee. In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under 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.
- 4.5 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.
- 4.6 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.
- 4.7 Resignation of appointment must be in writing.
- 4.8 Members of the Committee, including the Presiding Member are appointed by Council.

## **5 ADMINISTRATIVE RESOURCES**

- 5.1 The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions. This includes, but is not limited to:
- Adequate meeting space
  - Adequate human resources to prepare agendas, reports minutes
  - Connectivity for video conference, skype, internet connection, if required, etc.



## **6 QUORUM**

- 6.1 At all Meetings of the Committee a quorum must be present.
- 6.2 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 of the authorities, powers and discretions vested in or exercisable by the Committee.

## **7 MEETINGS OF THE COMMITTEE**

- 7.1 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.
- 7.2 No business shall be transacted at any meeting of the Committee unless a quorum of Members is present.
- 7.3 The Presiding Member, when physically present, shall preside at all meetings of the Committee and at any other time the Committee shall appoint an Acting Presiding Member who shall preside at that meeting.
- 7.4 Each Member of the Committee including the Presiding Member 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.
- 7.5 Each Member of the Committee including the Presiding Member present at any meeting of the Committee shall have one deliberate vote only.

## **8 PROCEDURES AT MEETINGS**

- 8.1 The procedure to be observed in relation to the conduct of meetings of the Committee is in accordance with Local Government (Procedures at Meetings) Regulations 2013.
- 8.2 In accordance with s89 of the Act, insofar as a procedure is not prescribed by regulation, it shall be as determined by the Council, and insofar as a procedure is not determined by the Council, it shall be as determined by the Committee itself.

## **9 DELEGATION**

- 9.1 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.



## **10 MINUTES OF THE COMMITTEE**

- 10.1 The CEO or his appointee must cause minutes to be kept of the proceedings of the Committee.
- 10.2 Minutes of the Committee shall be available to all Members of the Committee, Council and the public.
- 10.3 The Minutes of the proceedings of a meeting are to comply with the requirements of the Act.
- 10.4 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 Presiding Member or other person presiding at the subsequent meeting.
- 10.5 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 ROLE OF THE COMMITTEE**

### **11.1 Financial reporting and management**

The Committee shall:

- 11.1.1 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.
- 11.1.2 Review and challenge where necessary:
  - 11.1.2.1 The consistency of, and/or any changes to accounting policies.
  - 11.1.2.2 The methods used to account for significant or unusual transactions where different approaches are possible.
  - 11.1.2.3 The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditors.
  - 11.1.2.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
  - 11.1.2.5 All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- 11.1.3 Monitor the budgeting process and the process of review of actuals versus budget.
- 11.1.4 Monitor that budgets are aligned to the Strategic Management Plans.

### **11.2 Internal Controls and Risk Management Systems**

The Committee shall:

- 11.2.1 Monitor the effectiveness of the Council's internal controls and risk management systems; and
- 11.2.2 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

### **11.3 Public Interest Disclosure Act**

The Committee shall



11.3.1 Review the Council's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure these arrangements allow independent investigation of such matters and appropriate follow-up action.

11.4 Internal audit where Council does not have a separate internal audit function

The Committee shall:

11.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.

11.4.2 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.

11.4.3 Review all reports on the Council's operations from the external auditors.

11.4.4 Review and monitor management's responsiveness to the findings and recommendations of the external auditors; and

11.4.5 Where appropriate, meet the auditor without management being present, to discuss any issues arising from the internal audits carried out. In addition, the external Auditor shall be given the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.

11.5 External audit

The Committee shall:

11.5.1 Develop and implement a policy on the supply of the statutory audit and non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

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

11.5.3 The Committee shall oversee the selection process for new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.



- 11.5.4 Oversee Council's relationship with the external auditors including, but not limited to:
- 11.5.4.1 Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted.
  - 11.5.4.2 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.
  - 11.5.4.3 Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the external auditors, including the provision of any non-audit services.
  - 11.5.4.4 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business).
  - 11.5.4.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners, and
  - 11.5.4.6 Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the Committee's own internal quality procedures).
  - 11.5.4.7 Action(s) to follow up on matters raised by the external auditors.
- 11.5.5 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year (without management being present if requested) to discuss the external auditor's report and any issues arising from the audit.
- 11.5.6 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
- 11.5.7 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.
- 11.5.8 The Committee shall also review the overall effectiveness of the external auditor.
- 11.5.9 Review any representation letter(s) requested by the auditor before they are signed by management.
- 11.5.10 Review the management letter and management's response to the external auditor's findings and recommendations.







(b) The sitting fees for any special meeting of the Audit Committee be:

- |      |                              |          |
|------|------------------------------|----------|
| iii. | Independent Presiding Member | \$200.00 |
| iv.  | Other Independent Members    | \$100.00 |

19 January 2021



**5.2 AUDIT COMMITTEE WORKS PROGRAM – REPORT NO. AR21/19856**

<b>Committee:</b>	<b>Audit Committee</b>
<b>Meeting Date:</b>	<b>12 April 2021</b>
<b>Report No.:</b>	<b>AR21/19856</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Colin McGregor, Management Accountant</b>
<b>Authoriser:</b>	<b>Darren Barber, General Manager Shared Services</b>
<b>Summary:</b>	<b>This report provides the 2020/21 Audit Committee works program and an overview of the work performed year to date</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit Committee Report No. AR21/19856 titled 'Audit Committee works program' as presented on 12 April 2021 be noted.



## **TYPE OF REPORT**

Other

## **BACKGROUND**

At the audit committee meeting of 20 January 2020 the audit committee recommended to have as a standard report item for each meeting the Audit Committee Works Program and an overview of the progress of work performed year to date (Item 5.5 Recommendation 4).

This information will subsequently become part of the 'Annual report to Council by the presiding member of the Audit Committee'.

It will also provide the Audit Committee the option to review its performance year to date and assist in the annual review of the works program.

At the last audit committee for the financial year the audit committee determines the works program for the upcoming year, which is applicable for the current meeting.

## **PROPOSAL**

The attached table provides the audit committee works program for the 2021 financial year with the inclusion of the current meeting's agenda items. The colouring of the cells indicates the anticipated Audit Committee meeting where it is normally anticipated the relevant topic will be addressed.

The provisional dates for the audit committee for FY2021 are reflected in the annual works program.

## **LEGAL IMPLICATIONS**

Nil

## **STRATEGIC PLAN**

Nil

## **COUNCIL POLICY**

Nil

## **ECONOMIC IMPLICATIONS**

Nil

## **ENVIRONMENTAL IMPLICATIONS**

Nil

## **SOCIAL IMPLICATIONS**

Nil

## **CULTURAL IMPLICATIONS**

Nil

## **RESOURCE IMPLICATIONS**

Nil

## **VALUE FOR MONEY**

Nil

## **RISK IMPLICATIONS**

Nil

## **EQUALITIES AND DIVERSITY IMPLICATIONS**

Nil



## **ENGAGEMENT AND COMMUNICATION STRATEGY**

Nil

## **IMPLEMENTATION STRATEGY**

Nil

## **CONCLUSION AND RECOMMENDATION**

The standard report on the Audit Committee's status and plan for the Annual Work Program is included in the agenda of the Audit Committee for noting.

## **ATTACHMENTS**

1. Audit Committee works program [↓](#)





Audit Committee

Annual Work Program  
Reviewed April 2021

**AUDIT COMMITTEE – ANNUAL WORK PROGRAM – FY2021 – version DECEMBER 2020**

Report	Frequency	Timing				Requirement	Reference
		Quarter (8 Oct '20 5 pm)	Quarter 2 (14 Dec '20 5 pm)	Quarter 3 (15 March '21 5 pm)	Quarter 4 (7 June '21 5 pm)		
Review Annual work program	Annually					TOR	7.5.5 and 9.5
Annual work program update		(5.2)	(5.x)	Review of annual work program			
Review Terms of reference	Annually			Terms of Reference		TOR	9.5
Internal Controls, Risks and Improvement plans (including cumulative spend and procedure)	Quarterly	CaRH update (5.4)	Budget- LTFP-AMPs (5.x)	Proposed budget process improvements		Regulations TOR	S 41(b) 7.2.1
Infrastructure and Asset Management Plans and Asset Management Strategy	Annually		Budget- LTFP-AMPs (5.x)			TOR	7.1.4
Long Term Financial Plan	Annually		Budget- LTFP-AMPs (5.x)			Regulations	S 126(4)(ab)
Annual Business Plan and Budget (including assumptions)	Annually					LG Act	S 126(4)(ab)
External Audit - Interim Review and Management Letter	Annually					TOR	7.5
Confidential meeting with External Auditors	Annually	Annual Financial Statements (5.1)				LG Act TOR	S 126(4)(b) 7.5
External Auditor – Statutory External Audit and Report on Financial Results	Annually	(5.1)				Regulations TOR	Reg. 10 7.5
Annual Financial Results / Statements including authorisation by Presiding Member	Annually	(5.1)				LG Act TOR	S 126(4)(a) 7.1
Quarterly Budget Review	3 times pa	BR process update (5.3)	BR1 report (5.x)	BR2 report		LG Act and TOR	S126 7.1.3

Reference: AR20/82141  
Last update: 08/12/2020

Page 1 of 3





**Audit Committee**

**Annual Work Program  
Reviewed April 2021**

Crisis Management Arrangements including: Emergency Management	Biennially				TOR	7.2.1
Annual Report	Annually		Annual Report (5.x)		TOR	7.1.1 and 7.2.2
Policy Reviews • Budget Framework Policy B300 • Fraud and Corruption Prevention Policy • Treasury Management Policy T150 • Whistleblowing Protection Policy W150	Refer Policies				TOR TOR TOR TOR	7.1.2.1 7.2 and 7.3 7.1.2.1 7.3
Audit Committee Self-Assessment	Annually		(5.x)		TOR	9.5
Review of External Auditors' performance and overall effectiveness	Annually		(5.x)		TOR	7.5.3 and 7.5.6
Review of Audit Committee member appointments	Annually if required		(5.x)		TOR	1.5
Annual Report to Council by the Presiding Member of the Audit Committee	Annually	(5.1)			TOR	8
Presentations will be scheduled at the request of the Audit Committee and/or to accompany reports / agenda items where relevant						





Audit Committee members' and external auditor presence at meetings:

2020/21 Financial Year		8 October 2020	14 December 2020			Total
Audit Committee Members	Cr Mrs. Sonya Mezinec	Yes – Presiding member	Yes – Presiding member			2/2
	Ms. Angela Kain – appointed	Yes	Yes			2/2
	Mr. Paul Duka – appointed May 2019	Yes	Yes			2/2
	Mayor – Mrs. Lynette Martin	No	No			
<b>TOTAL attendance</b>		3	3			
External Auditor	Mr. Tim Muhlhausler	Yes (item 5.1)	No			
Council Staff	Ms. Barbara Cernovskis, Acting CEO	Yes	Yes			
	Mr. Colin McGregor, Management Accountant	Yes	Yes			
	Mr. Jeroen Zwijnenburg, Manager Finance	Yes	Yes			



**5.3 QUARTERLY BUDGET REVIEW 2 2020/21 – REPORT NO. AR21/19238**

<b>Committee:</b>	<b>Audit Committee</b>
<b>Meeting Date:</b>	<b>12 April 2021</b>
<b>Report No.:</b>	<b>AR21/19238</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Colin McGregor, Management Accountant</b>
<b>Authoriser:</b>	<b>Darren Barber, General Manager Shared Services</b>
<b>Summary:</b>	<b>Provision of the Budget Review 2 report that was presented to Council on 16 February 2021</b>
<b>Strategic Plan Reference:</b>	<b>Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit Committee Report No. AR21/19238 titled 'Quarterly Budget Review 2 2020/21' as presented on 12 April 2021 be noted.
2. That the Audit Committee note the adoption of the following resulting from the second quarterly Budget Review for 2020-21:
  - A \$34,996,000 forecast capital expenditure, representing a \$2,801,000 change from the original budget capital expenditure of \$37,797,000 (Item B and C), including a Budget revision carry over to 2020/21 of \$1,856,000 (Item A), an anticipated carry-over to 2021/22 of \$2,668,000 and a change of \$3,522,000 in relation to the construction of the Wulanda Recreation and Convention Centre (Item D);
  - \$1,230,000 forecasted operating deficit, representing a \$363,000 decreased deficit from the original budget operating deficit of \$1,593,000;
  - A \$11,632,000 forecast net surplus, representing a \$813,000 increase from the original budget net surplus of \$10,819,000; and
  - No impairment expense within other comprehensive expenses at BR2.





## TYPE OF REPORT

Corporate

## BACKGROUND

The 2020-21 original budget includes an operating deficit of \$1,593,000. This budget also includes multiple initiatives that are impacted by the COVID-19 environment. Therefore, a timely and thorough review of the budget on a quarterly basis is required.

### Timing

For the 2020-21 Council plans to perform three budget reviews in the year and aims to present these as soon as possible after the close of the previous quarter to the chamber. The timing of the budget review for 2020-21 is therefore:

Budget Review	Inclusive Dates	Council Meeting	Legislation
Quarter One (BR1)	1 July 2020 to 30 September 2020	October 2020	<= 15 March & < BR2
Quarter Two (BR2)	1 July 2020 to 31 December 2020	February 2021	<= 15 March
Quarter Three (BR3)	1 July 2020 to 31 March 2021	May 2021	>= 16 March & > BR2

### Contents of BR2 2020-21

This year's BR2 includes both the review of the operational as well as the capital budget, as well as the inclusion of the capital works-in-progress.

## PROPOSAL

This review addresses the following aspects:

From a capital expenditure (Capex) perspective:

Item A: Carry over from FY2021

Item B: Carry over to FY2022

Item C: Revision of Capex

Item D: Wulanda Recreation and Convention Centre

From an operating income and expenditure (Opex) perspective:

Item E: Opex

The information that is presented in the following tables includes both the changes adopted in BR1 as well as the changes proposed for adoption in BR2. This allows a full comparison against the original budget. It does mean that some items in BR2 represent a correction to an item adopted in BR2. A previous BR1 number is included in the description for ease of reference.

### Item A: Carry over from FY2021

This item shows no change compared to BR1. A total of \$1,856,000 was carried over from FY2020 into FY2021.

### Item B: Carry over to FY2022

In BR1 Council included, outside the carryover from FY2019/20 into FY2020/21 – at an amount of \$1,855,997, a provisional amount of \$1,600,000 for undefined capex work, included in this year's capex budget, as an estimate for what will be carried over to the following year.

As part of BR2 we have identified a total of \$2,668,000 of capex for carry over into FY2022, some of which might need to be excluded on review, or possibly carried over to FY2023. BR2 therefore reduced the undefined amount of carry overs to FY2022 to nil. Additionally, the capex includes \$486,995 in relation to the replacement of light bulbs in streetlights (as well as the related revenue under operating income).



As part of the carry-over some items that were included in BR1 have been revised e.g. the Works Depot Offices (BR1-09) are included in FY2021 for 50% of this total rather than the full \$250,000, while \$125,000 is carried over to FY2022.

### Item C: Revision of Capex

<b>TABLE 1: CAPITAL EXPENDITURE BUDGET ESTIMATE REVISIONS SINCE ADOPTION OF THE ORIGINAL 2020/21 BUDGET – IMPACT ON BALANCE SHEET.</b>			
<b>Item</b>	<b>CoMG ref</b>	<b>Adjustment to Estimates - Description</b>	<b>BS impact</b>
1	BR1-05*	Vehicle Carryover Capital from 2019/20	242,713
2	BR1-06*	Buildings & Structures Carryover Capital from 2019/20	670,066
3	BR1-07*	Infrastructure Carryover Capital from 2019/20	878,218
4	BR1-08*	Main Corner Complex Carryover Capital from 2019/20	65,000
5	BR1-09*	Works Depot Offices	250,000
6	BR1-10*	Special Local Roads Funding	570,000
7	BR1-14*	Davison Drive Guard Rail	32,990
8	BR1-16*	Plant Replacement Changes	67,000
9	BR1-18*	Theodolite replacement	15,000
10	BR1-19*	Reseal and 3 sheds at Cleanaway site - Feb 2021	100,000
11	BR1-27*	CMS Upgrade	10,000
12	BR1-31*	Carry-over BR1 estimate to 2021/22 financial year	(1,600,000)
<b>Total Q1</b>		<b>Budget review Q1 YTD overall impact BS</b>	<b>1,300,987</b>
1	BR2-08	LED Lighting	486,995
2	BR2-13	Wulanda Recreation and Convention Centre (WRCC) update	(3,521,926)
3	BR2-14	CAPEX update City Infrastructure into FY2022	(1,460,423)
		CAPEX Undefined into FY2022	1,600,000
4	BR2-15	CAPEX update City Growth – Cemetery, including She-Oak master plan landscaping, Chapel reconfiguration and shed exterior concreting	(370,000)
5	BR2-21	iServices and other carry over into FY2022	(267,118)
6	BR2-23	Special Roads Funding - Pinehall and O'Leary into FY2022	(570,000)
<b>Total Q2</b>		<b>Budget review Q2 YTD overall impact BS</b>	<b>(4,102,472)</b>
<b>Total Q1 and Q2</b>			<b>(2,801,485)</b>
(*) Council previously approved BR measures			

### Item D: Wulanda Recreation and Convention Centre

In BR1 the capital expenditure on the Wulanda Recreation and Convention Centre (WRCC) had not been adjusted. In BR2 Council has adjusted the capital expenditure to the latest cash flow forecast for the Centre, which is \$3,522,926 less than the original budget. This is primarily a result of a later start of the construction due to COVID related negotiations that occurred after the original budget was set. The Proforma Statement of Cash Flows also shows the assumption that consequently Council's borrowings will be less by the same amount by the end of the 2021 financial year.

The Federal and State revenue has not been updated at this stage. Although changes in timing are expected, consistent with changes to the construction schedule compared to the timeline of the original budget for FY2020/21 (April 2020), the magnitude of this is not certain at this BR2 review point. This will be updated as part of BR3.

Items A and C have an impact on the overall capital works in progress overview, as per the below:



<b>TABLE 2: CAPITAL WORKS IN PROGRESS OVERVIEW</b>									
Year	Capex Carry forward from prior year (A)	Capex original budget (B1)	CaRH original budget (B2)	Capex original budget (B) Total	Capex Council Resolutions in year (C1)	BR Transfer to next FY (C2)	Total (D) (A+B+C)		
<b>2019</b>	1,108	8,159	-	8,159	540	-	9,807		
<b>2020</b>	2,201	7,877	2,617	10,494		(1,655)	11,040		
<b>OB 2021</b>	1,856	11,024	26,773	37,797			39,653		
<b>BR2 2021</b>	1,856	11,024	26,773	37,797	1,532	(6,189)	34,996		
Year	Note 7 Additions actuals (E1)	CaRH WIP actuals (E2)	Other Capital WIP (E3)	Total Capital WIP (E2 & E3)	WIP increase / (decrease) (E4)	Total true Capex (E1 - E4)	Potential capex Rollover (F)	Capex Rollover to next year (G)	Capex reduction / (capex increase)
<b>2019</b>	7,266	540	249	789	515	7,781	2,566	2,201	365
<b>2020</b>	7,873	1,631	950	2,581	1,792	9,665	2,044	1,856	188
<b>BR2 2021</b>								2,668	

**Item E. Operating expenditure and income & comprehensive income BR2**

Table 3 provides detail of the income and expense adjustments as part of BR2.

The major BR2 revisions are:

- Development application (DA) income has been substantially increased compared to the original budget. The reasons for this are twofold: Firstly, the introduction of new development system / Planning Development and Infrastructure Act was originally expected early in the financial year, and the income projections were reduced accordingly. With the deferral of this to 19 March 2021 (per the latest advice) Council has continued to generate income from DAs. Secondly, with the Federal Government's HomeBuilder grant the demand for DAs has increased substantially, creating additional income.
- Salaries & wages are \$131,000 under budget for the year. The original budget included \$400,000 in salary savings that were anticipated to be result of delays in filling vacancies, and this full amount has been achieved with an additional \$131,000 anticipated by the end of the year.
- Expenditure on consultants & contractors as well as general operating expenses are well below original budget. Further review of the budgeted amounts for potential areas of saving identified further budget savings, e.g. in training & development, iServices (PABX) maintenance.
- Interest income was budgeted for at nil, however, due to some bonus payment from LGFA as well as later start of borrowings related to the WRCC Council reports \$24,000 interest income to date at BR2.
- In BR1 the Special Roads Funding for PineHall Avenue and O'Leary Road was included in the FY2021 budget - this has been deferred till FY2022 in this BR2.
- Additional LED Lighting capital budget has been included as well as the same amount of funding within comprehensive income.



Table 3: Operational expenditure budget estimate revisions since adoption of the original 2020/21 budget - impact on profit & loss statement.

Item	CoMG ref	Adjustment to Estimates - Description	P&L impact
1	BR1-03*	Street Sweeping/Median Maintenance - DPTI - Income not included in budget FY2021	(23,000)
2	BR1-04*	Vibrant Mount Gambier \$5,000 funding	(5,000)
3	BR1-10*	Special Local Roads Funding	(380,000)
4	BR1-11*	LGRS Insurance Risk Sessions	32,500
5	BR1-12*	Depreciation adjustment	332,713
6	BR1-13*	Commonwealth Financial Assistance Grant	313,282
7	BR1-18*	Theodolite replacement	(15,000)
8	BR1-21*	Blue Lake Sports Club Master Plan	50,000
9	BR1-26*	AssetVal payment carried over from FY2020	12,450
10	BR1-30*	Salaries & Wages including adjustment 27 <sup>th</sup> pay June 2021	66,732
11	BR1-35*	Lease NPV Interest and Amortisation adjustments	39,373
12	BR1-37*	Increased Development & Building Approvals	(140,000)
13	BR1-38*	Extension of interim library & coffee shop arrangement	120,000
14	BR1-39*	Line-marking contract	85,500
<b>Total BR1</b>		<b>Budget review Q1 increase in operating deficit</b>	<b>489,550</b>
1	BR2-02	Sports and Recreation Capital Works Program 2020/2021	(100,000)
2	BR2-03	Tourism Mount Gambier - additional 0.4 FTE plus \$14,500	14,515
3	BR2-04	Interest Income LGFA & Income from LGA Asset Mutual Fund and Work Cover	(24,013)
4	BR2-06	Junior Sports Assistance Fund	13,000
5	BR2-07	Training budget FY2021	10,000
6	BR2-08	LED lighting	(100,000)
7	BR2-09	Open space Strategy Master Plan	60,885
8	BR2-12	Salaries & Wages	(131,120)
9	BR2-16	Training & Development Savings	(45,659)
10	BR2-17	PABX Maintenance	(86,704)
11	BR2-18	Blue Lake Golf Club operational grant	(75,000)
12	BR2-19	Contractors & Consultants	(331,220)
13	BR2-20	General operating expenses	(439,049)
14	BR2-23	Special Roads Funding - Pinehall and O'Leary	380,000
<b>Total BR2</b>		<b>BR2 decrease in operating deficit</b>	<b>(854,365)</b>
<b>Total BR1 &amp; BR2</b>		<b>BR2 YTD decrease in operating deficit</b>	<b>(364,815)</b>
15	BR1-05	Vehicle Carryover Capital from 2019/20	21,000
16	BR1-16	Plant Replacement Changes	18,400
<b>Total BR1 &amp; BR2</b>		<b>BR1 increase in comprehensive (income) / expense</b>	<b>39,400</b>
15	BR2-08	LED lighting	(486,995)
<b>Total BR2</b>		<b>BR2 increase in comprehensive (income) / expense</b>	<b>(486,995)</b>
<b>Total BR1 &amp; BR2</b>		<b>BR2 YTD increase in comprehensive (income)/expense</b>	<b>(447,595)</b>
<b>Total BR2 YTD</b>		<b>Change in total comprehensive income</b>	<b>(812,410)</b>

(\*) Council previously approved BR measures



## **LEGAL IMPLICATIONS**

Nil

## **STRATEGIC PLAN**

Nil

## **COUNCIL POLICY**

Nil

## **ECONOMIC IMPLICATIONS**

The improvement in Council's forecasted operating deficit, from Council's originally budgeted deficit of \$1,593,000 by \$363,000, as well as the reduced capital expenditure improves Council's cash flow position moving into FY2021/22. It also reduces the amount with which Council draws on the cumulative operating surplus balance (since 2012/13), and puts it into a better financial position than originally budgeted.

The increases in the carry over, from \$1,600,000 per BR1 to \$2,668,000 in BR2, populates a greater portion of the overall capex for the upcoming budget year FY2022 and allows for further re-evaluation of some of these projects' timing as part of BR3 FY2021 and as part of the Annual Business Plan and Budget process for FY2022.

## **ENVIRONMENTAL IMPLICATIONS**

Nil

## **SOCIAL IMPLICATIONS**

Nil

## **CULTURAL IMPLICATIONS**

Nil

## **RESOURCE IMPLICATIONS**

Nil

## **VALUE FOR MONEY**

Nil

## **RISK IMPLICATIONS**

Council has to balance a combination of risks, including financial sustainability risks. BR2 shows that Council is expecting to achieve a better financial outcome than originally budgeted and from that perspective is building a stronger base to finance ongoing services and projects.

## **EQUALITIES AND DIVERSITY IMPLICATIONS**

Nil

## **ENGAGEMENT AND COMMUNICATION STRATEGY**

Nil

## **IMPLEMENTATION STRATEGY**

Nil

## **CONCLUSION AND RECOMMENDATION**

Nil

## **ATTACHMENTS**

1. Proforma Financial Statements Budget Review 2 FY2021 (BR-2) [↓](#)



**City of Mount Gambier**  
**Proforma Statement of Comprehensive Income**  
**Budget Review 2 FY2021, Budget Review 1 FY2021, Budget FY2021, Actual 2020 and Actual 2019**

		FY BR2 2021	FY BR1 2021	FY Budget 2021	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>INCOME</b>						
Rates	2	22,795	22,824	22,809	22,138	21,432
Statutory charges	2	634	409	309	523	426
User charges	2	5,079	5,271	5,354	5,318	5,021
Grants, subsidies and contributions	2	4,340	4,760	4,680	4,227	4,435
Investment income	2	24	-	-	55	86
Reimbursements	2	69	75	52	38	19
Other income	2	550	471	241	439	417
<b>Total Income</b>		<b>33,490</b>	<b>33,809</b>	<b>33,445</b>	<b>32,738</b>	<b>31,836</b>
<b>EXPENSES</b>						
Employee costs	3	13,103	13,241	13,172	12,230	11,800
Materials, contracts & other expenses	3	13,545	14,567	14,154	13,263	11,972
Depreciation, amortisation & impairment	3	7,834	7,894	7,498	7,625	7,424
Finance costs	3	237	190	213	170	203
<b>Total Expenses</b>		<b>34,720</b>	<b>35,891</b>	<b>35,038</b>	<b>33,288</b>	<b>31,399</b>
<b>OPERATING SURPLUS / (DEFICIT)</b>		<b>(1,230)</b>	<b>(2,082)</b>	<b>(1,593)</b>	<b>(550)</b>	<b>437</b>
Asset disposal & fair value adjustments	4	(50)	(52)	(13)	(472)	(594)
Amounts received for new or upgraded assets	2	12,912	12,425	12,425	-	105
Physical resources received free of charge	2	-	-	-	737	159
<b>NET SURPLUS / (DEFICIT)</b> transferred to Equity Statement		<b>11,632</b>	<b>10,290</b>	<b>10,819</b>	<b>(285)</b>	<b>107</b>
<b>Other Comprehensive Income</b>						
<i>Amounts which will not be reclassified subsequently to operating result</i>						
Changes in revaluation surplus - infrastructure, property, plant & equipment						56
Impairment (expense) / recoupments offset to asset revaluation reserve	3	-	-	-	(327)	-
<b>Total Other Comprehensive Income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(327)</b>	<b>56</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>11,632</b>	<b>10,290</b>	<b>10,819</b>	<b>(612)</b>	<b>163</b>



**City of Mount Gambier**  
**Proforma Statement of Financial Position**  
**Budget Review 2 FY2021, Budget FY2021, Actual 2020 and Actual 2019**

	Notes	FY BR2 2021 \$'000	FY BR1 2021 \$'000	FY Budget 2021 \$'000	2020 \$'000	2019 \$'000
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and cash equivalents	5	3,094	1,567	2,155	4,406	6,069
Trade & other receivables	5	2,064	2,064	1,861	2,034	1,867
Inventories	5	55	26,828	816	55	27
		<u>5,214</u>	<u>30,459</u>	<u>4,832</u>	<u>6,495</u>	<u>7,963</u>
<b>Non-current assets</b>						
Infrastructure, property, plant & equipment	7	247,425	247,425	277,807	244,262	244,752
Other non-current assets	6	25,831	2,581	-	2,581	789
<b>Total non-current assets</b>		<u>273,256</u>	<u>250,024</u>	<u>277,807</u>	<u>246,843</u>	<u>245,541</u>
<b>Total assets</b>		<u>278,470</u>	<u>280,483</u>	<u>282,639</u>	<u>253,338</u>	<u>253,504</u>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Trade & other payables	8	2,898	2,898	3,065	2,849	3,017
Borrowings	8	570	570	213	558	195
Provisions	8	2,625	2,625	2,457	2,557	2,338
<b>Total current liabilities</b>		<u>6,093</u>	<u>6,093</u>	<u>5,734</u>	<u>5,964</u>	<u>5,550</u>
<b>Non-current liabilities</b>						
Borrowings	8	15,233	18,756	21,952	2,189	2,377
Provisions	8	4,023	4,023	3,857	3,863	3,650
<b>Total non-current Liabilities</b>		<u>19,255</u>	<u>22,778</u>	<u>25,809</u>	<u>6,052</u>	<u>6,027</u>
<b>Total liabilities</b>		<u>25,348</u>	<u>28,871</u>	<u>31,543</u>	<u>12,016</u>	<u>11,577</u>
<b>NET ASSETS</b>		<u>253,122</u>	<u>251,612</u>	<u>251,096</u>	<u>241,322</u>	<u>241,927</u>
<b>EQUITY</b>						
Accumulated surplus		76,786	75,276	74,778	64,986	65,609
Asset revaluation reserves	9	175,462	175,462	175,458	175,462	175,458
Other reserves	9	874	874	860	874	860
<b>TOTAL EQUITY</b>		<u>253,122</u>	<u>251,612</u>	<u>251,096</u>	<u>241,322</u>	<u>241,927</u>



**City of Mount Gambier**  
**Statement of Changes in Equity**  
**Proforma Statement of Changes in Equity**  
**Budget Review 1 FY2021, Actual 2020 and Actual 2019**  
**for the period ending 31 December 2020**

		Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2021 BR2	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		64,986	175,462	874	241,322
<b>Net surplus / (deficit) for the year</b>		11,632	-	-	11,632
<b>Other Comprehensive Income</b>					
Transfers between reserves		-	-	-	-
<b>Balance at end of period</b>		76,618	175,462	874	252,954
2021 BR1	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		64,986	175,462	874	241,322
<b>Net surplus / (deficit) for the year</b>		10,290	-	-	10,290
<b>Other Comprehensive Income</b>					
Transfers between reserves		-	-	-	-
<b>Balance at end of period</b>		75,276	175,462	874	251,612
2021	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		65,140	143,058	874	209,072
Restated opening balance		65,140	143,058	874	209,072
<b>Net surplus / (deficit) for the year</b>	-	813	-	-	813
<b>Other Comprehensive Income</b>					
Transfers between reserves		-	-	-	-
<b>Balance at end of period</b>		64,328	143,058	874	208,259
2020	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		65,609	175,458	860	241,927
<b>Net surplus / (deficit) for the year</b>		(285)	-	-	(285)
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment		-	1,237	-	1,237
Impairment (expense) / recoupments offset to asset revaluation reserve	9	(327)	(1,233)	-	(1,560)
Adjustment due to compliance with revised accounting standard	1	3	-	-	3
Transfers between reserves	9	(14)	-	14	-
<b>Balance at end of period</b>		64,986	175,462	874	241,322
2019	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		65,515	175,402	847	241,764
<b>Net surplus / (deficit) for the year</b>		107	-	-	107
<b>Other Comprehensive Income</b>					
Gain on revaluation of infrastructure, property, plant & equipment		-	56	-	56
Transfers between reserves		(13)	-	13	-
<b>Balance at end of period</b>		65,609	175,458	860	241,927





**City of Mount Gambier**

**Proforma Statement of Cash Flows  
Budget Review 1 FY2021, Budget FY2021, Actual 2020 and Actual 2019**

		FY BR2 2021	FY BR1 2021	FY Budget 2021	2020	2019
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Notes					
<u>Receipts</u>						
Rates - general & other		22,795	22,824	22,809	21,957	21,388
Fees & other charges		634	409	309	524	426
User charges		5,549	5,764	5,889	5,696	5,459
Investment receipts		24	-	-	57	86
Grants utilised for operating purposes		3,613	3,473	4,133	4,227	4,435
Reimbursements		76	83	57	42	21
Other revenues		1,102	1,130	850	1,002	446
<u>Payments</u>						
Employee costs		(12,875)	(13,013)	(13,116)	(11,915)	(11,629)
Materials, contracts & other expenses		(14,556)	(15,709)	(15,262)	(14,293)	(12,981)
Finance payments		(237)	(252)	(213)	(170)	(161)
<b>Net cash provided by (or used in) Operating Activities</b>		<b>6,123</b>	<b>4,708</b>	<b>5,456</b>	<b>7,127</b>	<b>7,490</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<u>Receipts</u>						
Amounts specifically for new or upgraded assets		13,639	13,712	12,972	-	105
Sale of replaced assets		481	503	506	385	359
Sale of surplus assets		-	-	-	72	-
Repayments of loans by community groups		-	-	-	18	17
<u>Payments</u>						
Expenditure on renewal/replacement of assets		(8,525)	(8,692)	(8,270)	(5,627)	(4,006)
Expenditure on new/upgraded assets		(26,085)	(29,630)	(29,639)	(3,813)	(2,265)
<b>Net cash provided by (or used in) Investing Activities</b>		<b>(20,490)</b>	<b>(24,107)</b>	<b>(24,432)</b>	<b>(8,965)</b>	<b>(5,790)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from borrowings		13,250	16,773	20,000	-	-
<u>Payments</u>						
Repayments of borrowings		(195)	(195)	(213)	175	(218)
<b>Net cash provided by (or used in) Financing Activities</b>		<b>13,055</b>	<b>16,578</b>	<b>19,787</b>	<b>175</b>	<b>(218)</b>
<b>Net increase / (decrease) in cash held</b>		<b>(1,312)</b>	<b>(2,821)</b>	<b>812</b>	<b>(1,663)</b>	<b>1,482</b>
Cash & cash equivalents at beginning of period	10	4,406	4,406	2,958	6,069	4,587
<b>Cash &amp; cash equivalents at end of period</b>	10	<b>3,094</b>	<b>1,585</b>	<b>3,770</b>	<b>4,406</b>	<b>6,069</b>



## City of Mount Gambier

### Proforma Notes

#### Budget Review 1 FY2021, Budget FY2021, Actual 2020, 2019 and 2018

#### Note 14 - Financial indicators

These financial indicators have been calculated in accordance with *Information Paper 9 - Local Government Financial Indicators* prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia. Detailed methods of calculation are set out in the SA Model Statements.

	FY BR2 2021	FY BR1 2021	FY Budget	2020	2019
<b>Operating surplus ratio</b>					
<u>Operating surplus</u>					
Total operating revenue	(3.7%)	(6.2%)	(4.8%)	(6.5%)	1.4%

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

#### Net financial liabilities ratio

<u>Net financial liabilities</u>					
Total operating revenue	76%	85%	94%	63%	11%

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

#### Adjustments to ratios

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

<i>Adjusted operating surplus ratio</i>	(4.0%)	(6.2%)	(5.1%)	(5.4%)	(0.7%)
---	--------	--------	--------	--------	--------

<i>Adjusted financial liabilities ratio</i>	76%	85%	94%	59%	10%
---	-----	-----	-----	-----	-----

#### Asset renewal funding ratio

<u>Net asset renewals</u>					
Asset Management Plan required expenditure	118%	119%	114%	105%	68%

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



## City of Mount Gambier

### Proforma Notes Budget Review 1 FY2021, Budget FY2021, Actual 2020 and Actual 2019

#### Note 15 - Uniform presentation of finances

The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.

All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.

The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.

	FY BR2 2021 \$'000	FY BR1 2021 \$'000	FY Budget 2021 \$'000	2020 \$'000	2019 \$'000
Income	33,490	33,809	33,445	32,738	31,836
Expenses	34,720	35,891	35,038	(33,288)	(31,399)
<b>Operating surplus / (deficit)</b>	<b>(1,230)</b>	<b>(2,082)</b>	<b>(1,593)</b>	<b>(550)</b>	<b>437</b>
<b>Net outlays on existing assets</b>					
Capital expenditure on renewal and replacement of existing assets	8,525	8,692	8,270	5,627	5,346
Depreciation, amortisation and impairment	(7,834)	(7,894)	(7,498)	(7,625)	(7,424)
Proceeds from sale of replaced assets	(481)	(503)	(506)	(385)	(359)
	210	296	266	(2,383)	(2,437)
<b>Net outlays on new and upgraded assets</b>					
Capital expenditure on new and upgraded assets <i>(including investment property &amp; real estate developments)</i>	26,085	29,630	29,639	3,813	566
Amounts received specifically for new and upgraded assets	(13,639)	(13,712)	(12,972)	-	(105)
Proceeds from sale of surplus assets <i>(including investment property and real estate developments and non-current assets held for resale)</i>	-	-	-	(457)	359
	12,446	15,918	16,667	3,356	820
<b>Net lending / (borrowing) for financial year</b>	<b>(13,886)</b>	<b>(18,296)</b>	<b>(18,526)</b>	<b>(1,523)</b>	<b>2,054</b>



**5.4 INTERNAL CONTROLS - PROPOSED BUDGET PROCESS IMPROVEMENTS -  
REPORT NO. AR21/19525**

<b>Committee:</b>	<b>Audit Committee</b>
<b>Meeting Date:</b>	<b>12 April 2021</b>
<b>Report No.:</b>	<b>AR21/19525</b>
<b>CM9 Reference:</b>	<b>AF11/863</b>
<b>Author:</b>	<b>Colin McGregor, Management Accountant</b>
<b>Authoriser:</b>	<b>Darren Barber, General Manager Shared Services</b>
<b>Summary:</b>	<b>This report includes matters of interest to the Audit Committee related to Council's current budget process and the budget process moving forward</b>
<b>Strategic Plan Reference:</b>	<b>Goal 1: Our People Goal 5: Our Commitment</b>

**REPORT RECOMMENDATION**

1. That Audit Committee Report No. AR21/19525 titled 'Internal Controls - Proposed Budget process improvements' as presented on 12 April 2021 be noted.



## **TYPE OF REPORT**

Corporate

## **BACKGROUND**

The Internal Controls Framework incorporates a raft of measures taken by Council, including the annual budget process, internal financial controls, cumulative spend analysis and external audit. An update is provided on the relevant subjects in this area since last Audit Committee meeting.

### **Budget Process**

Council employs multiple management tools as part of its internal control framework to manage Council income and expenditure. This framework is referred to as the Integrated Budget and Framework.

The Long Term Financial Plan (LTFFP), the Asset Management Plan (AMP) and the Annual Business Plan & Budget Process (ABP&B) form the basis of this framework.

As part of its Terms of Reference, under 'Financial reporting and management' the Audit Committee shall "monitor the budgeting process and the process of review of actuals versus budget" (7.1.3) and "monitor that budgets are aligned to the Strategic Management Plans" (7.1.4).

While the budget process that is historically undertaken is efficient in producing an adopted budget, it doesn't address the accuracy and reliability of the budget that is adopted.

## **PROPOSAL**

Nil

## **LEGAL IMPLICATIONS**

Nil

## **STRATEGIC PLAN**

Nil

## **COUNCIL POLICY**

Nil

## **ECONOMIC IMPLICATIONS**

Nil

## **ENVIRONMENTAL IMPLICATIONS**

Nil

## **SOCIAL IMPLICATIONS**

Nil

## **CULTURAL IMPLICATIONS**

Nil

## **RESOURCE IMPLICATIONS**

Nil

## **VALUE FOR MONEY**

Nil

## **RISK IMPLICATIONS**

Nil



## **EQUALITIES AND DIVERSITY IMPLICATIONS**

Nil

## **ENGAGEMENT AND COMMUNICATION STRATEGY**

Nil

## **IMPLEMENTATION STRATEGY**

### **Current Budget Process**

#### **LTFP and AMP**

The budget process starts with a review of the Long Term Financial Plan (LTFP) and the asset management plan. This task was undertaken in December 2020 and presented to the elected members in a workshop on the 20 January 2021 and adopted at the February Council meeting.

#### **Detailed operational and capital budget**

The finance team meets with the relevant managers during January and February to have input into their budgets, particularly any projects or programs that requires extra funding. The fees and charges are also discussed with managers during this time. This is then presented to the executive team for review and equitable adjustments are made to ensure the operational surplus or deficit matches the LTFP and the capital budget is in line with the AMP.

#### **Member workshops**

The second budget workshop with members was held on 24 March 2021 where the overview of the budget along with underlying assumptions was presented to the elected members. Following this the detailed budget was sent to elected members to review and feedback given on or before the third workshop on 14 April 2021.

The intention of the third workshop is to discuss any feedback from the detailed budget review and any issues resolved. If there are significant changes needed in the budget then a fourth workshop is scheduled for 27 April 2021 to review the updated budget.

#### **Adoption and community consultation**

The budget is planned to be adopted on 18 May 2021 for community consultation from 19 May 2021 to 10 June 2021 and a final review of written submissions on 16 June 2021 through a special Council meeting. It is the intention to have a final special meeting of Council on the 29 June 2021 to adopt the annual business plan and budget.

## **PROPOSED FUTURE IMPROVEMENTS**

While the current process fulfils the legislative requirements of the annual business plan and budget, it doesn't do enough to ensure the accuracy and reliability of the budget. To do this the following changes to the initial part of the process will be implemented to improve the ownership of the budget by managers and staff.

### **Connection to the Strategic Plan**

Reaffirm with staff that all budget allocations have line of sight connection with Councils Strategic Plan. This connection is especially important in the budget bid and business case phase of the budget outlines below.

### **Budget Bids / Business Cases**

Budget bids with supporting business cases would be required for:

- Additional staff – Permanent and Temporary;
- New Projects;
- New major operational infrastructure (e.g business systems);
- Additional funding for existing projects/recurrent operations; and



- Capital Works.

Business Cases MAY also be required for:

- High Risk activities;
- Previously funded projects / programs where change has occurred; and
- Any other reason given by a general manager or CEO.

Grant funding applications will also require a Business Case. The relationship between the grant funding and business case should be developed very early in the application process. This is particularly important in this environment of shared funding commitments.

### **Ownership of all budget lines**

All employees at the levels of General Manager, Manager, Supervisor and Team Leader will be mentored and developed to have a clear understanding of the budget and finances. This is a key pillar in any leaders skill set along with People and Service Delivery.

The key areas are:

#### Revenue

- Fees and Charges;
- Grants - Recurrent;
- Grants Project and Capital; and
- Other Revenue.

#### Expenses

- Wages and Salaries;
- Utilities;
- Recurrent Operating Expenses; and
- Operating Project Expenses.

#### Capital

- Capital Expenses

### **Budget Phasing and Forecasting**

Budget phasing and forecasting throughout the year is a vital financial skill and an important tool in predicting cashflow and budget outcome. Phasing estimates when the budget allocation will be spent during the budget cycle. Forecasting provides an opportunity to estimate if the budget line will be under or overspent during the budget cycle.

### **Quarterly Review and Presentation**

A structured approach to financial accountability through regular reporting will be implemented. Each manager will be required to complete the following:

- Budget preparation;
- Phasing of the budget;
- Forecasting;
- Present a budget review document (templated) to executive explaining under and over spending; and
- This information will then be utilised for the Budget Review Reports for Council.



## **CONCLUSION AND RECOMMENDATION**

The Audit Committee is advised of, and is provided with the opportunity to provide feedback to Council and Council Administration, on the process and parameters of the FY2022 ABP&B and the proposed changes to the monitoring of the ABP&B through FY2022 which will lead into the FY2023 ABP&B process.

## **ATTACHMENTS**

Nil





## 6 CONFIDENTIAL ITEMS

### 6.1 TENDER FOR EXTERNAL AUDIT SERVICES FOR FY2022 TO FY2025 – REPORT NO. AR21/20765

#### 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 Councillor S Meziniec, Independent Members P Duka, A Kain and Council Officer D Barber and C McGregor be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 7.1 AR21/20765 Tender for External Audit Services for FY2022 to FY2025.

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

- tenders for the:
  - supply of goods, or
  - the provision of services, or
  - the carrying out of works

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 this item relates to the discussion and recommendation of tenders for external audit services.

#### 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 7.1 AR21/20765 Tender for External Audit Services for FY2022 to FY2025 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) (k) be kept confidential and not available for public inspection until two years after the recommendation of external audit services.
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 COMMITTEE ROOM, LEVEL 4, CIVIC CENTRE, 10 WATSON TERRACE,  
MOUNT GAMBIER  
ON MONDAY, 14 DECEMBER 2020 AT 6.01 P.M.**

**PRESENT:** Cr Sonya Mezinec, Mr Paul Duka, Ms Angela Kain

<b>OFFICERS IN ATTENDANCE:</b>	Acting Chief Executive Officer	- Ms B Cernovskis
	Manager Finance	- Mr J Zwijnenburg
	Management Accountant	- Mr C McGregor

**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)**

**RECOMMENDATION**

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

**3 CONFIRMATION OF MINUTES**

**COMMITTEE RESOLUTION**

Moved: Paul Duka  
Seconded: Angela Kain

That the minutes of the Audit Committee meeting held on 8 October 2020 be confirmed as an accurate record of the proceedings of the meeting.

**CARRIED**

**4 QUESTIONS WITHOUT NOTICE**

Nil



## 5 REPORTS

### 5.1 AUDIT COMMITTEE WORKS PROGRAM

#### COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec

Seconded: Paul Duka

1. That Audit Committee Report No. AR20/82143 titled 'Audit Committee Works Program' as presented on 14 December 2020 be noted.

**CARRIED**

### 5.2 AUDIT COMMITTEE - SITTING FEES

#### COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec

Seconded: Angela Kain

1. That Audit Committee Report No. AR20/17419 titled 'Audit Committee - sitting fees' as presented on 14 December 2020 be noted.
2. That Council amend as follows:
  - (a) The sitting fees for the ordinary meetings of the Audit Committee be increased to:
    - i. Independent Presiding Member \$300.00
    - ii. Other Independent Members \$200.00
  - (b) The sitting fees for any special meeting of the Audit Committee be increased to:
    - iii. Independent Presiding Member \$200.00
    - iv. Other Independent Members \$100.00

**CARRIED**

### 5.3 SELF-ASSESSMENT OF PERFORMANCE AUDIT COMMITTEE

#### COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR20/82682 titled 'Self-assessment of performance Audit Committee' as presented on 14 December 2020 be noted.
2. That the audit committee record that it is satisfied that its performance is meeting Council and other relevant Authority's standards and expectations.
3. That the audit committee's Terms of reference are updated from:  
'The size of the committee shall be three (3) members.'



To

‘The size of the committee shall be between three (3) and 5 members (inclusive).’

4. That the audit committee’s Terms of reference will include the following:

‘A vacancy in the membership of the audit committee will not invalidate any decisions of the audit committee, provided a quorum is maintained during meetings.’

**CARRIED**

#### **5.4 AUDIT ENGAGEMENT FY2022 - FY2025**

##### **COMMITTEE RESOLUTION**

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR20/82148 titled ‘Audit Engagement FY2022 - FY2025’ as presented on 14 December 2020 be noted.
2. That Council considers the following matters as part of the tender process for the external audit service provider:
  - provision of potential improvement opportunities
  - inclusion of Audit Engagement Plans

**CARRIED**

#### **5.5 ANNUAL REPORT 2019-20**

##### **COMMITTEE RESOLUTION**

Moved: Cr Sonya Meziniec

Seconded: Angela Kain

1. That Audit Committee Report No. AR20/82431 titled ‘Annual Report 2019-20’ as presented on 14 December 2020 be noted.

**CARRIED**

#### **5.6 EMERGENCY MANAGEMENT AND RISK MANAGEMENT**

##### **COMMITTEE RESOLUTION**

Moved: Paul Duka

Seconded: Cr Sonya Meziniec

1. That Audit Committee Report No. AR20/82729 titled ‘Emergency Management and Risk Management’ as presented on 14 December 2020 be noted.

**CARRIED**



**5.7 QUARTERLY BUDGET REVIEW 1 2020-21**

**COMMITTEE RESOLUTION**

Moved: Cr Sonya Meziniec  
Seconded: Paul Duka

1. That Audit Committee Report No. AR20/82630 titled 'Quarterly Budget Review 1 2020-21' as presented on 14 December 2020 be noted.
2. That the Audit Committee note the adoption of the following resulting from the first quarterly Budget Review for 2020-21:

YTD quarter 1 budget review (BR1) revisions for the FY2020/21 financial year reflect:

- A \$2,082,000 forecasted operating deficit, representing a \$489,000 increased deficit from the original budget operating deficit of \$1,593,000;
- A \$10,290,000 forecast net surplus, representing a \$529,000 decrease from the original budget net surplus of \$10,819,000;
- No impairment expense within Other Comprehensive expenses at BR1.
- A \$39,098,000 forecast capital expenditure, representing a \$1,301,000 change from the original budget capital expenditure of \$37,797,000, including a budget revision carry over to 2020/21 of \$1,856,000 and an anticipated carry-over to 2021/22 of \$1,600,000

**CARRIED**

**5.8 COUNCIL BUDGET, LTFP AND AMPS REVIEW PROCESSES FOR 2021-22**

**COMMITTEE RESOLUTION**

Moved: Paul Duka  
Seconded: Angela Kain

1. That Audit Committee Report No. AR20/82421 titled 'Council budget, LTFP and AMPS review processes for 2021-22' as presented on 14 December 2020 be noted.

**CARRIED**

**6 MEETING CLOSE**

The Meeting closed at 6.46 p.m.

The minutes of this meeting were confirmed at the Audit Committee held on 15 March 2021.

.....  
**PRESIDING MEMBER**

