



City of
Mount Gambier

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

mountgambier.sa.gov.au

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

Date: Monday, 20 September 2021
Time: 5.30 p.m.
Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier

AGENDA

Audit Committee Meeting **20 September 2021**

Sarah Philpott
Chief Executive Officer
16 September 2021

Order Of Business

1	Acknowledgement of Country	3
2	Apology(ies).....	3
3	Confirmation of Minutes.....	3
4	Questions without Notice.....	3
5	Reports.....	4
5.1	2020/21 Financial Statements – Report No. AR21/58199	4
5.2	Comparison of Actual to Budget for the year ending 30 June 2021 – Report No. AR21/58235.....	96
5.3	Review of Draft Audit and Risk Committee Terms of Reference – Report No. AR21/58970	105
5.4	Local Government Act 2021 Changes – Report No. AR21/58959	127
5.5	Risk Report – Report No. AR21/58960.....	134
5.6	Work Health, Safety and Wellbeing – Report No. AR21/58962	139
6	Urgent Motions without Notice	150
7	Meeting Close	150
	Attachments Item 3 Audit Committee Meeting - 12 April 2021	151



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 - 12 April 2021](#)

RECOMMENDATION

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.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 2020/21 FINANCIAL STATEMENTS – REPORT NO. AR21/58199

Committee:	Audit Committee
Meeting Date:	20 September 2021
Report No.:	AR21/58199
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Finance
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	The purpose of the annual financial statements is to provide Council, the community and other interested parties with a record of the financial activities and the financial position of the Council, comparative to the proceeding financial period.
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. AR21/58199 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.



TYPE OF REPORT

Legislative

BACKGROUND

1. Pursuant to Section 125 of the Local Government Act 1999, a council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets and to secure (as far as possible) the accuracy and reliability of council records.
2. Pursuant to Section 126 (4) of the Local Government Act 1999, the functions of an audit committee include – a) reviewing annual financial statements to ensure that they present fairly the state of the Council and c) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
3. Pursuant to Section 129 (3) of the Local Government Act 1999, the auditor must provide to the council – a) an audit opinion with respect to the financial statements, and b) an audit opinion as to whether the controls audited under sub section 1) b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.
4. Pursuant to Section 16 of the Local Government (Financial Management) Regulations 2011, on or before November 30 a copy of the audited financial statements for the preceding year must be submitted to the presiding member of the South Australian Local Government Grants Commission.
5. Council's external auditor, Galpins Accountants Auditors and Business Consultants, has completed their audit for the financial year ended 30 June 2021. Galpins were appointed as Council's external auditor in 2016 and it should be noted that this is their final audit.
6. The following sections of the Audit Committee Terms of Reference are relevant to this report:

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.

11.5.7 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.*

11.5.9 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.



PROPOSAL

1. The Model Financial Statements set out a recommended format (covering the four principal financial statements and notes to be read in conjunction with those statements) which complies with Australian accounting standards.
2. The form and contents of the financial statements are prescribed by the Local Government Act 1999 and Financial Regulations 2011, in conjunction with associated Australian accounting standards.
3. Section 13 of the Local Government (Financial Management) Regulations 2011 requires that the financial statements of a council, council subsidiary or regional subsidiary (other than notes and other explanatory documentation) must be in accordance with the requirements set out in the Model Financial Statements.
4. Tim Muhlhasler of Galpins will attend the Audit Committee meeting, and the Committee is able to meet confidentially with the external auditors if desired. It is proposed that the Committee indicate if it wishes to have a confidential discussion with the auditors, in which case the staff and any persons present in the gallery will leave the room. A confidentiality order will only be required if the meeting cannot remain open to the public.
5. Galpins have provided their Audit Completion Report (**Attachment 3**) which acts as their audit clearance and includes their proposed audit opinions on the finance report and on the internal controls, as well as the Auditor's Independence Declaration. They have also provided the Management Representation Letter (**Attachment 2**) and Interim Management Letter including Management responses arising from the interim audit undertaken in April 2021 (**Attachment 4**).
6. The Audit Committee needs to resolve that:
 - Council adopts the annual financial statements as presented at the meeting held 20 September 2021 as final.
 - The Chief Executive Officer and the Mayor of the City of Mount Gambier be authorised to certify the financial statements.
 - 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.
7. The Certification of Financial Statements document is included as the first page to the draft financial statements (**Attachment 1**). The Certification of Auditor Independence document (**Attachment 1**) is included as the last page to the draft financial statements.
8. Council's financial statements will be published in the Council's Annual Report for the 2020/21 financial year and will be provided to the:
 - Minister for Local Government;
 - South Australian Local Government Grants Commission; and
 - Other key stakeholders.

LEGAL IMPLICATIONS

N/A

STRATEGIC PLAN

The budget was developed in the context of the Strategic Plan.

COUNCIL POLICY

[A900 Asset Management Policy](#)

[B300 Budget Framework](#)



[R105 Rating Policy](#)

[T150 Treasury Management Policy](#)

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 financial statements are general purpose statements representing the financial performance of the Council for the 2020/21 financial year and the financial position as at 30 June 2021. The financial statements have been prepared in accordance with the Australian Accounting Standards and Local Government (Financial Management) Regulations 1999.

ATTACHMENTS

1. Financial Statements FY 2020/21 [↓](#)
2. Management Representation Letter 2020/21 [↓](#)
3. Audit Completion Report [↓](#)
4. Financial Controls Review - Internal Controls Letter 2020/21 [↓](#)



City of Mount Gambier
General Purpose Financial Reports
for the year ended 30 June 2021

Table of Contents

	Page #
Council Certificate	1
Principal Financial Statements	
Statement of Comprehensive Income	2
Statement of Financial Position	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to, and forming part of, the Principal Financial Statements	
Note 1 - Significant Accounting Policies	6
Note 2 - Income	12
Note 3 - Expenses	15
Note 4 - Asset Disposal & Fair Value Adjustments	17
Note 5 - Current Assets	18
Note 6 - Infrastructure, Property, Plant & Equipment	19
Note 7 - Liabilities	24
Note 8 - Reserves	25
Note 9 - Reconciliation of Cash Flow Statement	26
Note 10 - Functions	27
Note 11 - Financial Instruments	29
Note 12 - Expenditure Commitments	32
Note 13 - Financial Indicators	33
Note 14 - Uniform Presentation of Finances	34
Note 15 - Leases	35
Note 16 - Superannuation	36
Note 17 - Contingent Assets & Contingent Liabilities	37
Note 18 - Related Party Transactions	38
Audit Report - Financial Statements	
Audit Report - Internal Controls	
Council Certificate of Audit Independence	
Audit Certificate of Audit Independence	



**City of Mount Gambier
Annual Financial Statements
for the year ended 30 June 2021**

CERTIFICATION OF FINANCIAL STATEMENTS

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

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards.
- the financial statements present a true and fair view of the Council's financial position at 30 June 2021 and the results of its operations and cash flows for the financial year.
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year.
- the financial statements accurately reflect the Council's accounting and other records.

.....
Sarah Philpott
CHIEF EXECUTIVE OFFICER

.....
Lynette Martin
MAYOR

Date:



City of Mount Gambier
Statement of Comprehensive Income
for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
INCOME			
Rates	2	22,769	22,138
Statutory charges	2	621	523
User charges	2	4,880	5,318
Grants, subsidies and contributions	2	4,505	4,227
Investment income	2	25	55
Reimbursements	2	60	38
Other income	2	635	439
Total Income		<u>33,495</u>	<u>32,738</u>
EXPENSES			
Employee costs	3	13,058	12,230
Materials, contracts & other expenses	3	14,018	13,263
Depreciation, amortisation & impairment	3	7,940	7,625
Finance costs	3	226	170
Total Expenses		<u>35,242</u>	<u>33,288</u>
OPERATING SURPLUS / (DEFICIT)		<u>(1,747)</u>	<u>(550)</u>
Asset disposal & fair value adjustments	4	(730)	(472)
Amounts received specifically for new or upgraded assets	2	2,677	-
Physical resources received free of charge	2	1,230	737
NET SURPLUS / (DEFICIT) (transferred to Equity Statement)		<u>1,430</u>	<u>(285)</u>
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Impairment (expense) / recoupments offset to asset revaluation reserve	3	-	(327)
Total Other Comprehensive Income		<u>-</u>	<u>(327)</u>
TOTAL COMPREHENSIVE INCOME		<u>1,430</u>	<u>(612)</u>

This Statement is to be read in conjunction with the attached Notes.



City of Mount Gambier
Statement of Financial Position
as at 30 June 2021

ASSETS	Notes	2021	2020
		\$'000	\$'000
Current Assets			
Cash and cash equivalents	5	1,893	4,406
Trade & other receivables	5	4,181	2,034
Inventories	5	47	55
Total Current Assets		<u>6,121</u>	<u>6,495</u>
Non-current Assets			
Infrastructure, property, plant & equipment	6	263,422	246,843
Total Non-current Assets		<u>263,422</u>	<u>246,843</u>
Total Assets		<u>269,543</u>	<u>253,338</u>
LIABILITIES			
Current Liabilities			
Trade & other payables	7	5,765	2,849
Borrowings	7	447	558
Provisions	7	3,013	2,557
Total Current Liabilities		<u>9,225</u>	<u>5,964</u>
Non-current Liabilities			
Borrowings	7	13,502	2,189
Provisions	7	4,064	3,863
Total Non-current Liabilities		<u>17,566</u>	<u>6,052</u>
Total Liabilities		<u>26,791</u>	<u>12,016</u>
NET ASSETS		<u>242,752</u>	<u>241,322</u>
EQUITY			
Accumulated Surplus		66,406	64,986
Asset Revaluation Reserves	8	175,462	175,462
Other Reserves	8	884	874
TOTAL EQUITY		<u>242,752</u>	<u>241,322</u>

This Statement is to be read in conjunction with the attached Notes.



**City of Mount Gambier
 Statement of Changes in Equity
 for the year ended 30 June 2021**

		Acc'd Surplus	Asset Rev'n Reserve	Other Reserves	TOTAL EQUITY
2021	Notes	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		64,986	175,462	874	241,322
Net Surplus / (Deficit) for Year		1,430	-	-	1,430
Other Comprehensive Income					
Transfers between reserves		(10)	-	10	-
Balance at end of period	8	<u>66,406</u>	<u>175,462</u>	<u>884</u>	<u>242,752</u>
2020		\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period		65,609	175,458	860	241,927
Adjustment due to compliance with revised Accounting Standards		3	-	-	3
Restated opening balance		<u>65,612</u>	<u>175,458</u>	<u>860</u>	<u>241,930</u>
Net Surplus / (Deficit) for Year		(285)	-	-	(285)
Other Comprehensive Income					
Changes in revaluation surplus - infrastructure, property, plant & equipment		-	1,237	-	1,237
Impairment (expense) / recoupments offset to asset revaluation reserve		(327)	(1,233)	-	(1,560)
Transfers between reserves		(14)		14	-
Balance at end of period	8	<u>64,986</u>	<u>175,462</u>	<u>874</u>	<u>241,322</u>

This Statement is to be read in conjunction with the attached Notes



City of Mount Gambier
Statement of Cash Flows
for the year ended 30 June 2021

	Notes	2021 \$'000	2020 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Receipts:</i>			
Rates - general & other		22,978	21,957
Fees & other charges		621	524
User charges		5,214	5,696
Investment receipts		26	57
Grants utilised for operating purposes		5,210	4,227
Reimbursements		66	42
Other revenues		3,517	1,002
<i>Payments:</i>			
Employee costs		(13,005)	(11,915)
Materials, contracts & other expenses		(17,433)	(14,293)
Finance payments		(212)	(170)
Net Cash provided by (or used in) Operating Activities		6,982	7,127
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Receipts:</i>			
Amounts specifically for new or upgraded assets		555	-
Sale of replaced assets		393	385
Sale of surplus assets		-	72
Repayments of loans by community groups		-	18
<i>Payments:</i>			
Expenditure on renewal/replacement of assets		(5,326)	(5,627)
Expenditure on new/upgraded assets		(16,298)	(3,813)
Net Cash provided by (or used in) Investing Activities		(20,676)	(8,965)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Receipts:</i>			
Proceeds from borrowings		11,550	-
<i>Payments:</i>			
Repayments of borrowings		(206)	175
Repayment of principal portion of lease liabilities		(163)	-
Net Cash provided by (or used in) Financing Activities		11,181	175
Net Increase (Decrease) in cash held		(2,513)	(1,663)
Cash & cash equivalents at beginning of period	9	4,406	6,069
Cash & cash equivalents at end of period	9	1,893	4,406

This Statement is to be read in conjunction with the attached Notes



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

1 Basis of Preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical Cost Convention

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

1.3 Critical Accounting Estimates

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

1.4 Rounding

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

1.5 Covid-19

The COVID-19 pandemic has impacted the 2020/21 financial statements, which may impact on the comparability of some line items and amounts reported in these financial statements and/or the notes. The financial impacts are a direct result of either Council's response to the pandemic or due to mandatory shutdowns as directed by the Australian Government and the advice from the Australian Government Department of Health and SA Health.

The impacts on the Council's financial performance and financial position are costs of approximately \$73,000 as a result of reduction in commercial rates and assistance with community programs.

It is expected that further financial impacts, though not significant to its financial position, will flow into the 2021/22 financial year.

Council has considered the consequences of COVID-19 and other events and conditions, and it has determined that they do not create a material uncertainty that casts significant doubt upon the Council's ability to continue as a going concern.

2 The Local Government Reporting Entity

City of Mount Gambier is incorporated under the SA Local Government Act 1999 and has its principal place of business at 10 Watson Terrace, Mount Gambier. These consolidated financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions. In the process of reporting on the Council as a single unit, all transactions and balances between activity areas and controlled entities have been eliminated.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

3 Income recognition

3.1 Revenue

The Council recognises revenue under AASB 1058 Income of Not-for-Profit Entities (AASB 1058) or AASB 15 Revenue from Contracts with Customers (AASB 15) when appropriate.

In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when it transfers control of a product or service to a customer). Revenue is measured based on the consideration to which the Council expects to be entitled in a contract with a customer.

In other cases, AASB 1058 applies when a not-for-profit (NFP) entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. The excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately, except in the case where a financial asset has been received to enable the council to acquire or construct a recognisable non-financial asset that is to be controlled by the council. In this case, the council recognises the excess as a liability that is recognised over time in profit and loss when (or as) the entity satisfies its obligations under the transfer.

In recent years, the payment of untied grants (financial assistance grants/ local roads/ supplementary grants) has varied from the annual allocation as shown in the table below:

	Cash Payment Received	Annual Allocation	Difference	
2018-19	\$3,952,000	\$3,303,000	+ / -	\$649,000
2019-20	\$3,384,000	\$3,546,000	+ / -	(\$162,000)
2020-21	\$3,410,267	\$3,381,972	+ / -	\$28,295

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

The Operating Surplus Ratio disclosed in Note 13 has also been calculated after adjusting for the distortions resulting from the differences between the actual grants received and the grants entitlements allocated.

3.2 Construction Contracts

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

4 Cash, Cash Equivalents and Other Financial Instruments

4.1 Cash, Cash Equivalent Assets

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



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

4.2 Other Financial Instruments

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

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

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

5 Inventories

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

6 Infrastructure, Property, Plant & Equipment

6.1 Initial Recognition

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

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 6. No capitalisation threshold is applied to the acquisition of land or interests in land or the Riddoch art Collection.

6.3 Subsequent Recognition

All material asset classes are revalued on a regular basis such that the carrying values are not materially different from fair value. Significant uncertainties exist in the estimation of fair value of a number of asset classes including land, buildings and associated structures and infrastructure. Further detail of these uncertainties, and of existing valuations, methods and valuers are provided at Note 6.

6.4 Depreciation of Non-Current Assets

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

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

Major depreciation periods for each class of asset are shown in Note 6. Depreciation periods for infrastructure assets have been estimated based on the best information available to Council, but appropriate records covering the entire life cycle of these assets are not available, and extreme care should be used in interpreting financial information based on these estimates.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

6.5 Impairment

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

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

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

7 Payables

7.1 Goods & Services

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

7.2 Payments Received in Advance & Deposits

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

8 Borrowings

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period to which it relates and is recorded as part of "Payables". Interest free loans are carried at their nominal amounts; interest revenues foregone by the lender effectively being a reduction of interest expense in the period to which it relates.

9 Provisions

9.1 Employee Benefits

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

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

Weighted average discount rate	0.36% (2020, 2.5%)
Weighted average settlement period	1 year (2020, 3 years)

9.2 Superannuation

The Council makes employer superannuation contributions in respect of its employees to the Statewide Superannuation Scheme. The Scheme has two types of membership, each of which is funded differently. Details of the accounting policies applied and Council's involvement with the schemes are reported in Note 16.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

9.2 Provisions for reinstatement, restoration, rehabilitation.

Council operates the Caroline landfill site, incorporating cells which require capping upon complete fill. Capping and restoration costs can include the dismantling and demolition of infrastructure and the removal of residual materials and remediation and rehabilitation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs and are carried at the net present value of estimated future costs.

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

10 Leases

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

Council as a lessee:

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

i) Right-of-use assets

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

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Office Equipment 3 – 5 Years
- Land Improvements 4 years

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 6.5 - Impairment of non-financial assets above.

ii) Lease liabilities

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

12 GST Implications

In accordance with UIG Abstract 1031 "Accounting for the Goods & Services Tax"

- Receivables and Creditors include GST receivable and payable.
- Except in relation to input taxed activities, revenues and operating expenditures exclude GST receivable and payable.
- Non-current assets and capital expenditures include GST net of any recoupment.
- Amounts included in the Statement of Cash Flows are disclosed on a gross basis.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

13 New and amended standards and interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to AASB 101 and AASB 108 Definition of Material:

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Council.

Amendments to AASB 16 Covid-19 Related Rent Concessions:

In 2020, the AASB issued AASB 2020-4, Amendments to AASs - Covid-19-Related Rent Concessions. The amendments provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. This amendment had no impact on the financial statements of the Council.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME

	Notes	2021 \$'000	2020 \$'000
RATES REVENUES			
<u>General Rates</u>		21,773	21,313
Less: Mandatory rebates		(236)	(222)
Less: Discretionary rebates, remissions & write offs		(27)	(158)
		<u>21,510</u>	<u>20,933</u>
<u>Other Rates</u> (including service charges)			
Natural Resource Management levy		1,179	1,151
		<u>1,179</u>	<u>1,151</u>
<u>Other Charges</u>			
Penalties for late payment		57	18
Legal & other costs recovered		23	36
		<u>80</u>	<u>54</u>
		<u>22,769</u>	<u>22,138</u>
STATUTORY CHARGES			
Development Act fees		219	91
Town planning fees		160	162
Animal registration fees & fines		148	182
Parking fines / expiation fees		13	13
Other licences, fees, & fines		81	75
		<u>621</u>	<u>523</u>
USER CHARGES			
Cemetery/crematoria fees		771	820
Green waste collection		63	528
Landfill charges		3,537	3,044
Hall & equipment hire		11	241
Sales - general		64	104
Sales - Waste Transfer Station		284	426
Sundry		150	155
		<u>4,880</u>	<u>5,318</u>
INVESTMENT INCOME			
Interest on investments:			
Local Government Finance Authority		25	53
Banks & other		-	2
		<u>25</u>	<u>55</u>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME (con't)

	Notes	2021 \$'000	2020 \$'000
REIMBURSEMENTS			
- for private works		16	33
- other		44	5
		60	38
OTHER INCOME			
Insurance & other recoupments - infrastructure, property, plant & equipment		158	99
Donations		72	92
Sundry		405	248
		635	439
GRANTS, SUBSIDIES, CONTRIBUTIONS			
Amounts received specifically for new or upgraded assets		2,677	-
Other grants, subsidies and contributions			
Untied - Financial Assistance Grant		3,539	3,593
Roads to Recovery		404	360
Local Roads and Community Infrastructure		243	-
Library & Communications		163	88
Sundry		156	186
		4,505	4,227
		7,182	4,227
<i>The functions to which these grants relate are shown in Note 10.</i>			
Sources of grants			
Commonwealth government		2,155	365
State government		4,770	3,681
Other		257	181
		7,182	4,227



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 2 - INCOME (con't)

	2021	2020
Notes	\$'000	\$'000
Conditions over grants & contributions		
<i>Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:</i>		
<i>Unexpended at the close of the previous reporting period</i>	-	98
<i>Less: expended during the current period from revenues recognised in previous reporting periods:</i>		
<i>Rail Trail</i>	-	(98)
<i>Subtotal</i>	-	(98)
<i>Plus: amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
<i>Pine Hall / O'Leary Road</i>	378	-
<i>Tertiary Education</i>	49	-
<i>Subtotal</i>	427	-
<i>Unexpended at the close of this reporting period</i>	427	-
 <i>Net increase / (decrease) in assets subject to conditions in the current reporting period</i>	427	(98)
 PHYSICAL RESOURCES RECEIVED FREE OF CHARGE		
Land & Improvements	108	-
Footpaths & Kerbing	386	396
Roads	736	336
Riddoch Collection	-	5
TOTAL PHYSICAL RESOURCES RECEIVED	1,230	737



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 3 - EXPENSE

	Notes	2021 \$'000	2020 \$'000
EMPLOYEE COSTS			
Salaries and Wages		10,005	9,689
Employee leave expense		1,508	1,144
Superannuation	16	1,205	1,106
Workers' Compensation Insurance		282	262
Other		58	29
Total Operating Employee Costs		13,058	12,230
Total Number of Employees		129	132
<i>(Full time equivalent at end of reporting period)</i>			
MATERIALS, CONTRACTS & OTHER EXPENSES			
<u>Prescribed Expenses</u>			
Auditor's Remuneration			
- Auditing the financial reports		13	26
Bad and Doubtful Debts		73	79
Elected members' expenses		236	231
Election expenses		10	9
Subtotal - Prescribed Expenses		<u>332</u>	<u>345</u>
<u>Other Materials, Contracts & Expenses</u>			
Contractors		3,495	3,179
Contributions / Donations		508	1,370
Energy		864	729
Maintenance		940	1,129
Insurance		335	325
Levies paid to government - NRM levy		1,173	1,142
Levies paid to government - EPA, ESL & Dog Levies		2,040	1,650
Materials		797	895
Training		188	173
Water		149	137
Communication		114	276
Consultants		888	383
Licences and Subscriptions		630	275
Sundry		1,565	1,255
Subtotal - Other Materials, Contracts & Expenses		<u>13,686</u>	<u>12,918</u>
		14,018	13,263



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 3 - EXPENSE con't

	2021	2020
Notes	\$'000	\$'000
DEPRECIATION, AMORTISATION & IMPAIRMENT		
Depreciation		
Buildings & Other Structures	2,630	2,353
Waste Management	795	698
Infrastructure		
- Stormwater Drainage	115	103
- Kerbing and Footpaths	1,157	1,111
- Roads	1,861	1,767
- Carparks	257	259
Plant and Equipment	724	709
Office Equipment	114	166
Other	122	316
Right of Use Assets	165	143
Impairment		
Derecognised Assets	-	327
	<u>7,940</u>	<u>7,952</u>
Less: Impairment expense offset to asset revaluation reserve	8	(327)
	<u>7,940</u>	<u>7,625</u>
FINANCE COSTS		
Interest on Loans	194	170
Interest on Leases	18	13
Unwinding of present value discounts	14	(13)
	<u>226</u>	<u>170</u>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 4 - ASSET DISPOSALS AND FAIR VALUE ADJUSTMENTS

	Notes	2021 \$'000	2020 \$'000
INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT			
<i>Assets renewed or directly replaced</i>			
Proceeds from disposal		393	385
Less: Carrying amount of assets sold		<u>(1,123)</u>	<u>(266)</u>
Gain (Loss) on disposal		<u>(730)</u>	<u>119</u>
 <i>Assets surplus to requirements</i>			
Proceeds from disposal		-	72
Less: Carrying amount of assets sold		<u>-</u>	<u>(144)</u>
Gain (Loss) on disposal		<u>-</u>	<u>(72)</u>
 FAIR VALUE ADJUSTMENTS			
Inpairment of disposed assets		<u>-</u>	<u>(519)</u>
		<u>-</u>	<u>(519)</u>
NET GAIN (LOSS) ON DISPOSAL OR REVALUATION OF ASSETS		<u>(730)</u>	<u>(472)</u>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 5 - CURRENT ASSETS

	Notes	2021 \$'000	2020 \$'000
CASH & EQUIVALENT ASSETS			
Cash on Hand and at Bank		95	760
Deposits at Call		1,798	3,604
Short Term Deposits & Bills, etc		-	42
		<u>1,893</u>	<u>4,406</u>
TRADE & OTHER RECEIVABLES			
Rates - General & Other		803	932
Accrued Revenues		2,500	1
Debtors - general		1,007	1,058
Prepayments		27	138
Total		<u>4,337</u>	<u>2,129</u>
Less: Allowance for Doubtful Debts		<u>(156)</u>	<u>(95)</u>
		<u>4,181</u>	<u>2,034</u>
INVENTORIES			
Stores & Materials		35	44
Trading Stock		12	11
		<u>47</u>	<u>55</u>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT (IPP&E)

	Fair Value Level	2020 \$'000				2021 \$'000			
		Fair Value	Cost	Acc' Dep'n	Carrying Amount	Fair Value	Cost	Acc' Dep'n	Carrying Amount
Land - Level 2	2	15,601	-	-	15,601	15,601	-	-	15,601
Land - Level 3	3	37,683	-	-	37,683	37,683	108	-	37,791
Buildings & Other Structures - Level 2	2	2,025	-	-	2,025	3,987	-	(2,018)	1,969
Buildings & Other Structures - Level 3	3	106,325	-	(49,505)	56,820	109,546	1,061	(55,304)	55,303
Waste Management	3	9,930	-	(8,125)	1,805	9,930	151	(8,920)	1,161
Infrastructure									
- Stormwater Drainage	3	8,022	-	(2,239)	5,783	8,022	88	(2,353)	5,757
- Kerbing and Footpaths	3	74,206	-	(18,672)	55,534	74,206	1,696	(19,807)	56,095
- Roads	3	67,385	-	(18,474)	48,911	67,385	3,072	(20,216)	50,241
- Carparks	3	10,451	-	(2,608)	7,843	10,451	45	(2,865)	7,631
Plant and Equipment		-	8,609	(2,569)	6,040	-	8,997	(2,707)	6,290
Office Equipment		-	2,019	(1,398)	621	-	2,064	(1,499)	565
Riddoch Collection	3	3,515	-	-	3,515	3,515	-	-	3,515
Other		-	3,946	(2,237)	1,709	-	4,175	(2,358)	1,817
WIP		-	2,581	-	2,581	-	19,458	-	19,458
Right of Use Assets		-	515	(143)	372	-	568	(340)	228
Total IPP&E		335,143	17,670	(105,970)	246,843	340,326	41,483	(118,387)	263,422
Comparatives		310,936	21,864	(88,048)	244,752	335,143	17,670	(105,970)	246,843

This Note continues on the following pages.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 6 - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

	2020 \$'000								2021 \$'000	
Carrying Amount	Additions		Disposals	Dep'n	Impair't	Transfers		Net Reval'n	Carrying Amount	
	New / Upgrade	Renewals				In	Out			
Land - Level 2	15,601	-	-	-	-	-	-	-	15,601	
Land - Level 3	37,683	108	-	-	-	-	-	-	37,791	
Buildings & Other Structures - Level 2	2,025	-	-	-	(90)	34	-	-	1,969	
Buildings & Other Structures - Level 3	56,820	182	670	(4)	(2,540)	209	(34)	-	55,303	
Waste Management	1,805	151	-	-	(795)	-	-	-	1,161	
Infrastructure										
- Stormwater Drainage	5,783	24	48	-	(115)	17	-	-	5,757	
- Kerbing and Footpaths	55,534	1,228	310	(108)	(1,157)	288	-	-	56,095	
- Roads	48,911	778	2,585	(522)	(1,861)	350	-	-	50,241	
- Carparks	7,843	21	24	-	(257)	-	-	-	7,631	
Plant and Equipment	6,040	327	1,040	(393)	(724)	-	-	-	6,290	
Office Equipment	621	19	126	(93)	(114)	6	-	-	565	
Riddoch Collection	3,515	-	-	-	-	-	-	-	3,515	
Other	1,709	48	185	(3)	(122)	-	-	-	1,817	
WIP	2,581	17,409	338	-	-	-	(870)	-	19,458	
Right of Use Assets	372	-	21	-	(165)	-	-	-	228	
Total IPP&E	246,843	20,295	5,347	(1,123)	(7,940)	904	(904)	-	263,422	
<i>Comparatives</i>	244,752	5,596	5,373	(930)	(7,625)	(1,560)	12,024	(12,024)	1,237	246,843

This note continues on the following pages.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 6 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Valuation of Assets

General Valuation Principles

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

Highest and best use: For land which Council has an unfettered right to sell, the "highest and best use" recognises the possibility of the demolition or substantial modification of some or all of the existing buildings and structures affixed to the land.

Much of the land under Council's care and control is Crown land or has been declared as community land under the provisions of the Local Government Act 1999. Other types of restrictions also exist.

For land subject to these restrictions, the highest and best use is taken to be the "highest and best use" available to Council, with a rebuttable presumption that the current use is the "highest and best use". The reason for the current use of a large proportion of Council's assets being other than the "highest and best use" relates to Council's principal role as the provider of services to the community, rather than the use of those assets for the generation of revenue.

For buildings and other structures on and in the land, including infrastructure, "highest and best use" is determined in accordance with the land on and in which they are situated.

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

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

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

The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.

The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

This method has significant inherent uncertainties, relying on estimates of quantities of materials and labour, residual values and useful lives, and the possibility of changes in prices for materials and labour, and the potential for development of more efficient construction techniques. Accordingly, formal sensitivity analysis does not provide useful information.



City of Mount Gambier
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 6 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Capitalisation thresholds used by Council for a representative range of assets are shown below. No capitalisation threshold is applied to the acquisition of land or interests in land.

Office Furniture & Equipment	\$1,000
Other Plant & Equipment	\$5,000
Buildings - new construction/extensions	\$5,000
Park & Playground Furniture & Equipment	\$1,000
Road construction & reconstruction	\$5,000
Paving & footpaths, Kerb & Gutter	\$5,000
Stormwater Drainage	\$5,000
Waste Management	\$5,000

Estimated Useful Lives: Useful lives are estimated for each individual asset. In estimating useful lives, regard is had to technical and commercial obsolescence, as well as legal and other limitations on continued use. The range of useful lives for a representative range of assets is shown below, although individual assets may have an estimated total useful life of greater or lesser amount:

Plant, Furniture & Equipment	
Office Equipment	3 to 10 years
Vehicles and Road-making Equip	2 to 25 years
Other Plant & Equipment	4 to 20 years
Building & Other Structures	
Buildings	15 to 100 years
Park Structures	20 to 30 years
Playground equipment	20 to 30 years
Benches, seats, etc	10 to 30 years
Infrastructure	
Sealed Roads – Surface	12 to 40 years
Sealed Roads – Structure	30 to 150 years
Unsealed Roads	40 to 75 years
Paving & Footpaths, Kerb & Gutter	10 to 70 years
Stormwater Drainage	50 to 70 years
Other Assets	
Library Books	7 to 10 years
Artworks	indefinite
Right-of-use assets (refer Note 16)	3 to 5 years



City of Mount Gambier
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30 June 2021

Note 6 (con't) – INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Land & Land Improvements

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

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

Land is revalued every second year (lastly in 2020) based on Valuer General's valuations provided to Council

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2020 by Mitch Ekonomopoulos of AssetVal Pty Ltd. Revaluations occur every four years. All additions are initially recorded at cost.

Infrastructure

Infrastructure assets include stormwater drainage, footpath and kerbing, roads and carpark assets. Infrastructure assets were valued by Council officers at depreciated current replacement cost during the reporting period ended 30 June 2018, based on actual costs incurred during the reporting period ended 30 June 2018. All acquisitions made after the respective dates of valuation are recorded at cost.

Waste management - landfill

Landfill remediation and cell development assets are amortised on a consumption basis over the individual landfill cell's capacity to receive waste. At the time of construction of a cell, Council includes the present value of estimated costs to cap and close the cell into the landfill cell. This estimate is offset by the recognition of a provision. This recognition of the capping costs is amortised in line with the consumption of the landfill cell's capacity used in any one year.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

Riddoch art collection

The Riddoch art collection was revalued as at 30 June 2018 by Simon Storey Art and Cultural Collection valuers. These assets are not depreciated.

All other assets

These assets are recognised on the cost basis. Library books and other lending materials are capitalised in bulk, and written out when fully depreciated.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 7 - LIABILITIES

	Notes	2021		2020	
		Current	Non-current	Current	Non-current
		\$'000		\$'000	
TRADE & OTHER PAYABLES					
Goods & Services		1,946	-	1,846	-
Payments received in advance		798	-	291	-
Accrued expenses - employee entitlements		178	-	558	-
Accrued expenses - other		2,649	-	32	-
Deposits, Retentions & Bonds		148	-	21	-
Other Payables		46	-	101	-
		<u>5,765</u>	<u>-</u>	<u>2,849</u>	<u>-</u>
BORROWINGS					
Loans		219	13,502	206	2,171
Leases Liabilities	15	228	-	352	18
		<u>447</u>	<u>13,502</u>	<u>558</u>	<u>2,189</u>
<i>All interest bearing liabilities are secured over the future revenues of the Council.</i>					
PROVISIONS					
Employee entitlements (including oncosts)		3,013	168	2,557	191
Future reinstatement / restoration, etc		-	3,896	-	3,672
		<u>3,013</u>	<u>4,064</u>	<u>2,557</u>	<u>3,863</u>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 8 - RESERVES

ASSET REVALUATION RESERVE	1/7/2020	Net Increments/ (Decrements)	Transfers, Impairments	30/6/2021
Notes	\$'000	\$'000	\$'000	\$'000
Land	42,801	-	-	42,801
Buildings and Structures	53,310	-	-	53,310
Waste Management	2,926	-	-	2,926
Infrastructure	70,636	-	-	70,636
Plant and Equipment	770	-	-	770
Minor Plant	34	-	-	34
Other Assets	4,985	-	-	4,985
TOTAL	175,462	-	-	175,462
Comparatives	175,458	1,237	(1,233)	175,462

OTHER RESERVES	1/7/2020	Transfers to Reserve	Transfers from Reserve	30/6/2021
Mount Gambier Cemetery	711	-	-	711
Mayor Christmas Appeal	57	12	-	69
Christmas Parade	-	-	(3)	(3)
Junior Sports Assistance Fund	106	1	-	107
TOTAL OTHER RESERVES	874	13	(3)	884
Comparatives	860	22	(8)	874

PURPOSES OF RESERVES

Asset Revaluation Reserve

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

Other Reserves

Other Reserves are used when reserves are maintained for the purpose of specific Council committees or for committed funds of Council.

Mount Gambier Cemetery

The Mount Gambier Cemetery reserve represents funds that have been separated for any development works or projects that may be required at the Carinya Gardens Cemetery and crematorium.

Mayor Christmas Appeal

The Mayor Christmas Appeal represents bank funds and payables of the City of Mount Gambier related to the Mayor Christmas Appeal and to be used for that purpose.

Christmas Parade

The Christmas Parade reserve represents bank funds and payables of the City of Mount Gambier related to the Christmas Parade to be used for that purpose. This is negative as a result of the cost of the 20/21 parade following COVID-19 Restrictions.

Junior Sports Assistance Fund

The Junior Sports Assistance Fund reserve represents bank funds and payables of the City of Mount Gambier related to the Junior Sporting Assistance Fund and to be used for that purpose.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 9 - RECONCILIATION TO CASH FLOW STATEMENT

(a) Reconciliation of Cash

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

	Notes	2021 \$'000	2020 \$'000
Total cash & equivalent assets	5	1,893	4,406
Balances per Cash Flow Statement		<u>1,893</u>	<u>4,406</u>

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

Net Surplus (Deficit)		1,430	(285)
Non-cash items in Income Statement			
Depreciation, amortisation & impairment		7,940	7,625
Net increase (decrease) in unpaid employee benefits		53	315
Premiums & discounts recognised & unwound		14	(13)
Change in allowances for under-recovery		61	-
Non-cash asset acquisitions		(3,847)	(737)
Grants for capital acquisitions treated as Investing Activity		(555)	-
Net (Gain) Loss on Disposals		<u>730</u>	<u>472</u>
		5,826	7,377
Add (Less): Changes in Net Current Assets			
Net (increase) decrease in receivables		(2,208)	(186)
Net (increase) decrease in inventories		8	(28)
Net increase (decrease) in trade & other payables		3,296	(269)
Net increase (decrease) in other provisions		60	219
Net increase (decrease) in other liabilities		-	14
Net Cash provided by (or used in) operations		<u>6,982</u>	<u>7,127</u>

(c) Non-Cash Financing and Investing Activities

Acquisition of assets by means of:

Physical resources received free of charge	2	1,230	737
Amounts recognised in Income Statement		<u>1,230</u>	<u>737</u>
Leases		21	-
Estimated future reinstatement etc. costs		<u>210</u>	<u>-</u>
		<u>1,461</u>	<u>737</u>

(d) Financing Arrangements

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

Bank Overdrafts	250	250
Corporate Credit Cards	30	30
LGFA Cash Advance Debenture facility	20,000	10,000

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



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 10 - FUNCTIONS

INCOMES, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS & ACTIVITIES

	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT & NON-CURRENT)	
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	2021	2020	2021	2020
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administration / Support Services	25,156	24,718	6,380	6,018	18,776	18,700	3,410	3,395	20,824	21,621
Community Support	808	847	1,918	2,016	(1,110)	(1,169)	1	-	20,534	21,149
Culture	298	517	4,086	4,097	(3,788)	(3,580)	185	255	26,034	27,277
Economic Development	188	229	1,871	2,530	(1,683)	(2,301)	-	-	3,890	4,105
Environment	4,355	5,377	8,470	8,328	(4,115)	(2,951)	201	127	11,075	10,957
Recreation	1,397	93	5,160	4,277	(3,763)	(4,184)	31	-	74,411	56,741
Regulatory Services	736	520	1,232	1,285	(496)	(765)	-	-	18	19
Transport	728	455	3,817	3,504	(3,089)	(3,049)	677	450	103,715	103,115
Engineering / Indirect	(171)	(46)	2,347	1,212	(2,518)	(1,258)	-	-	8,965	8,273
Unclassified Activities	-	28	(39)	21	39	7	-	-	77	81
TOTALS	33,495	32,738	35,242	33,288	(1,747)	(550)	4,505	4,227	269,543	253,338



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 10 (con't) - COMPONENTS OF FUNCTIONS

The activities relating to Council functions are as follows:

Administration / Support services

Governance, elected members, organisational, support services, accounting/finance, payroll, human resources, information technology, communication, rates administration, records, occupancy, customer service, other support services, revenues, separate and special rates.

Community support

Public order and safety, crime prevention, emergency services, other fire protection, other public order and safety, health services, pest control – health, immunisation, preventive health services, other health services, community support, senior citizens facilities, children and youth services, community assistance, other community support, community amenities, bus shelters, cemeteries / crematoria, public conveniences, car parking – non-fee-paying and other community amenities.

Culture

Library services, other library services, cultural services, cultural venues, heritage, museums and art galleries and other cultural services.

Economic development

Regional development, tourism, visitor information and other economic development.

Environment

Animal/plant boards, waste management, domestic waste, green waste, recycling, transfer station, other waste management, other environment, stormwater and drainage, street cleaning, street lighting, street-scaping, Natural Resource Management levy, and other environment.

Recreation

Parks and gardens, sports facilities – indoor, sports facilities – outdoor, swimming centres – Outdoor, and other recreation.

Regulatory services

Dog and cat control, building control, town planning, clean air/pollution control, litter control, health inspection, parking control, and other regulatory services.

Transport

Footpaths and kerbing, roads – sealed, roads – formed, roads – natural formed, roads – unformed, traffic management and other transport.

Unclassified activities

Finance charges and investment revenue, private works and sundry property maintenance.

Engineering / indirect

Depot management, indirect and general plant cost not included in other functions.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 11 - FINANCIAL INSTRUMENTS

All financial instruments are categorised as *loans and receivables*.

Accounting Policies - Recognised Financial Instruments

Bank, Deposits at Call, Short Term Deposits	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost, interest is recognised when earned</p> <p>Terms & conditions: Deposits are returning fixed interest rates between 0.3% and 1.95% (2020: 1.95%).</p> <p>Carrying amount: approximates fair value due to the short term to maturity.</p>
Receivables - Rates & Associated	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method</p> <p>Terms & conditions: Secured over the subject land, arrears attract interest of 0.43% (2020: 6.35%) Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - Fees & other charges	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method</p> <p>Terms & conditions: Unsecured, and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.</p> <p>Carrying amount: approximates fair value (after deduction of any allowance).</p>
Receivables - other levels of government	<p>Accounting Policy: initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.</p> <p>Terms & conditions: Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Creditors and Accruals	<p>Accounting Policy: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.</p> <p>Terms & conditions: Liabilities are normally settled on 30 day terms.</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Interest Bearing Borrowings	<p>Accounting Policy: initially recognised at fair value and subsequently at amortised cost, interest is charged as an expense using the effective interest rate</p> <p>Terms & conditions: secured over future revenues, borrowings are repayable; interest is charged at fixed or variable rates between 1.3% and 5.97% (2020: 5.97%)</p> <p>Carrying amount: approximates fair value.</p>
Liabilities - Finance Leases	<p>Accounting Policy: accounted for in accordance with AASB 16 as stated in note 15</p>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 11 - FINANCIAL INSTRUMENTS (con't)

Liquidity Analysis

2021	Due < 1 year	Due > 1 year ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	1,893	-	-	1,893	1,893
Receivables	4,154	-	-	4,154	4,154
Total	6,047	-	-	6,047	6,047
Financial Liabilities					
Payables	2,938	-	-	2,938	2,938
Current Borrowings	11,895	-	-	11,895	219
Lease Liabilities	228	-	-	228	228
Non-Current Borrowings	-	2,164	-	2,164	13,502
Total	15,061	2,164	-	17,225	16,887
2020					
	Due < 1 year	Due > 1 year; ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets					
Cash & Equivalents	4,406	-	-	4,406	4,406
Receivables	1,058	-	-	1,058	1,058
Total	5,464	-	-	5,464	5,464
Financial Liabilities					
Payables	2,849	-	-	2,849	2,849
Current Borrowings	206	-	-	206	206
Lease Liabilities	352	18	-	370	370
Non-Current Borrowings	-	2,171	-	2,171	2,171
Total	3,407	2,189	-	5,596	5,596

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

	30 June 2021		30 June 2020	
	Weighted Average Interest Rate	Carrying Value	Weighted Average Interest Rate	Carrying Value
	%	\$'000	%	\$'000
Other Variable Rates	1.79%	11,550	-	-
Fixed Interest Rates	5.97%	2,171	5.97%	2,747
		<u>13,721</u>		<u>2,747</u>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 11 - FINANCIAL INSTRUMENTS (con't)

Net Fair Value

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

Risk Exposures:

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

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

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

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



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 12 - COMMITMENTS FOR EXPENDITURE

	2021	2020
Notes	\$'000	\$'000
Capital Commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings & Other Structures	41,206	455
<u>Infrastructure</u>		
- Footpaths and Kerbing	-	2
- Roads	-	8
Plant & Equipment	369	440
Office Equipment	-	78
Other	-	1
	41,575	984
These expenditures are payable:		
Not later than one year	41,575	984
	41,575	984



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 13 - FINANCIAL INDICATORS

	2021	2020	2019
Operating Surplus Ratio			
<u>Operating Surplus</u>	-5.2%	-1.7%	1.4%
Total Operating Income			

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

Net Financial Liabilities Ratio

<u>Net Financial Liabilities</u>	62%	18%	11%
Total Operating Income			

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 grants, as explained in Note 1. These **Adjusted Ratios** correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison between years.

Adjusted Operating Surplus Ratio	-5.3%	-1.2%	-0.7%
Adjusted Net Financial Liabilities Ratio	67%	17%	10%

Asset Renewal Funding Ratio

<u>Net Outlays on Existing Assets</u>	84%	105%	68%
Net Asset Renewals - IAMP			

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
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 14 - 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

	2021 \$'000	2020 \$'000
Income	33,495	32,738
Expenses	<u>(35,242)</u>	<u>(33,288)</u>
Operating Surplus / (Deficit)	(1,747)	(550)
 Net Outlays on Existing Assets		
Capital Expenditure on renewal and replacement of Existing Assets	(5,326)	(5,627)
Add back Depreciation, Amortisation and Impairment	7,940	7,625
Proceeds from Sale of Replaced Assets	<u>393</u>	<u>385</u>
	3,007	2,383
 Net Outlays on New and Upgraded Assets		
Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(16,298)	(3,813)
Amounts received specifically for New and Upgraded Assets	555	-
Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>	<u>-</u>	<u>72</u>
	(15,743)	(3,741)
Net Lending / (Borrowing) for Financial Year	<u>(14,483)</u>	<u>(1,908)</u>



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 15 - LEASES

Council as a Lessee

Right of Use Asset

Council entered contracts as a lessee for various IT equipment, the Dimjalla skate park and RFID

Set out below are the carrying amounts (written down value) of right of use assets recognised within Infrastructure Property, Plant & Equipment

Carrying Value	Office	Other	Total
At 1 July 2020	350	22	372
Additions	21	-	21
Depreciation Charge	(155)	(10)	(165)
At 30 June 2021	216	12	228

Set out below are the carrying amounts of lease liabilities (including under interest bearing loans and borrowings) and the movements during the period:

	2021
Opening Balance 1 July 2020	370
Additions	21
Accretion of Interest	18
Payments	(181)
Closing Balance 30 June 2021	228
Current	228
Non Current	-

The maturity analysis of lease liabilities is included in note 11

Council and its associated entities (the group) had total cash outflows for leases of **\$183,000**.

The following are amounts recognised on profit or loss:

Depreciation expense of right of use assets.	165
Interest expense on lease liabilities	18
Total amount recognised in profit and loss	183

Council as a Lessor

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



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 16 – SUPERANNUATION

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

Accumulation only Members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (9.50% in 2019-20; 9.50% in 2020-21) and enterprise bargaining agreement (1% in 2021 and 2020). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) Members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2019-20) of "superannuation" salary.

In addition, Council makes a separate contribution of 3% of ordinary time earnings for Salarylink members to their Accumulation account plus an additional 1% per enterprise bargaining agreement. Employees also make member contributions to the Salarylink section of the Fund. As such, assets accumulate in the Salarylink section of the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue.

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to Other Superannuation Schemes

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



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 17 - CONTINGENT ASSETS AND CONTINGENT LIABILITIES

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

1. LAND UNDER ROADS

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

At reporting date, Council controlled 229 km of road reserves of average width 20 metres.

2. POTENTIAL INSURANCE LOSSES

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

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

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

3. BANK GUARANTEES

Council has guaranteed certain loans and other banking facilities advanced to community organisations and sporting bodies, amounting to \$721,721 (2020: \$210,000) at reporting date.

Council does not expect to incur any loss arising from these guarantees.

4. LEGAL EXPENSES

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

5. WULANDA

On 24 August 2020 Council signed a contract with BADGE Constructions for a total of \$57.3 million, which commits Council to \$31.95 million toward the construction of the Community and Recreation Hub (Wulanda), the refurbishment of the existing outdoor pool and additional car parking and landscaping works at Olympic Park.

Prior to this Council signed a grant agreement with the Commonwealth Government that commits Council to capital spend of \$13.8 million on Wulanda. Through this agreement, Council secured funding and will be the recipient of \$15 million from the Federal Government and \$10 million from the State Government towards the build. Additionally, the District Council of Grant has committed to \$350,000 contribution towards the funding for this project.



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 18 - RELATED PARTY DISCLOSURES

KEY MANAGEMENT PERSONNEL

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 16 persons were paid the following total compensation:

	2021	2020
	\$	\$
Salaries, allowances & other short term benefits	974	1,122
Post-employment benefits	72	93
Long term benefits	41	-
TOTAL	1,087	1,215

PARTIES RELATED TO KEY MANAGEMENT PERSONNEL

Two key management personnel and/or relatives of key management personnel are members in organisations that received Council support in the year, e.g. through sponsorship of community and sporting.

Key management personnel and/or relatives of key management personnel own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. These purchases were made on normal commercial terms on an arm's length basis. No individual purchases from these businesses exceeded \$211.28 with the total cumulative spend for 20/21 being \$1,890.73.

No key management personnel or close family member (including related parties) lodged a planning application during the year.



**City of Mount Gambier
Annual Financial Statements
for the year ended 30 June 2021**

CERTIFICATION OF AUDITOR INDEPENDENCE

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of the City of Mount Gambier for the year ended 30 June 2021, the Council's Auditor, Galpins Accountants, Auditors & Business Consultants, has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

.....
Sarah Philpott
CHIEF EXECUTIVE OFFICER

.....
Cr Sonya Meziniec
**PRESIDING MEMBER
AUDIT COMMITTEE**

Date:



**City of Mount Gambier
Annual Financial Statements
for the year ended 30 June 2021**

STATEMENT BY AUDITOR

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

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

Tim Muhlhausler
Galpins Accountants, Auditors & Business Consultants

Dated this day of 2021





Reference: AF20/141
Enquiries to: Ms Julie Scoggins

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

mountgambier.sa.gov.au

20 September 2021

Mr Tim Muhlhausler
Partner
Galpins Accountants Auditors and Business Consultants
PO Box 4067
Norwood South SA 5067

Dear Tim,

RE: AUDIT OF THE FINANCIAL REPORT OF CITY OF MOUNT GAMBIER

This representation letter is provided in connection with your audit of the financial report of City of Mount Gambier (the Council) for the year ended 30 June 2021 for the purpose of expressing an opinion as to whether the financial report gives a true and fair view in accordance with the Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

We confirm that *(to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves)*:

A. FINANCIAL REPORT

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated 12th July 2016, for the preparation of the financial report in accordance with Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*; in particular the financial report gives a true and fair view in accordance therewith.
2. We acknowledge our responsibility for the design, implementation and maintenance of internal control for the preparation of the financial report in accordance with Australian Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.
3. Significant accounting policies adopted in the preparation of the financial report are fully and fairly described in the financial report.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Australian Accounting Standards. Such transactions with related party may include:
 - sales, purchases, loans, transfers of assets / liabilities/ services, leasing arrangements, guarantees etc.
 - all balances due to or from related party at year end.



6. All events subsequent of the date of the financial report for which Australian Accounting Standards require adjustment or disclosure have been adjusted or disclosed.
7. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial report as a whole. A list of uncorrected misstatements is attached to the audit clearance letter.

B. OWNERSHIP

1. The Council has good title (or lease interest) in all assets recorded in the accounts.

C. VALUATION

1. We have no plans and intentions that may affect materially the carrying value, or classification, of Council's assets and liabilities.
2. The fair value of land and buildings as determined by the external valuer is reasonable.
3. Adequate provisions have been recorded in the accounts for all anticipated losses.
4. Depreciation rates for capital and other assets have been reviewed having regard to such factors as asset usage and obsolescence. Any adjustment to reflect the most recent assessment of the useful lives of all capital and other assets has been recognised and disclosed in the financial report.
5. The carrying amount of capital and other assets does not materially differ from its fair value at the reporting date.

D. Information Provided

1. We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
2. All transactions have been recorded in accounting records and are reflected in the financial report.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. We have disclosed to you the results of our assessment of the risk that the financial report may be materially misstated as a result of fraud.
5. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - management;



- employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial report.
6. We have disclosed to you all information in relation to allegations of fraud, suspected fraud, affecting the Council's financial report communicated by employees, former employees, analysts, regulators or others.
 7. We have disclosed to you all known instances of non-compliance or suspected non-compliances with laws and regulations including all covenants, conditions or other requirements of outstanding debts, whose effects should be considered when preparing the financial report.
 8. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with the applicable financial reporting framework.
 9. We have disclosed to you all known unusual commitments or contractual obligations that were not in the ordinary course of business whose effects should be considered when preparing the financial report.
 10. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

E. COMPLETENESS

1. All assets owned or controlled by the Council have been recorded in the accounts.
2. All services rendered prior to the year-end have been recorded in the correct financial year.
3. Inventory does not include items not paid for and for which no liability has been recorded in the accounts at year-end.
4. All charges to capital assets (and additions under capital leases) during the year represent actual additions and no expenditure of a capital nature have been charged to expenses during the year.
5. All capital assets sold or dismantled during the year have been properly accounted for in the accounts.
6. Capital and other assets with a limited life are being depreciated, amortised, or otherwise written off as a charge to income over their estimated useful lives in a systematic and rational manner.
7. All liabilities of the Council at year-end have been recorded in the accounts (including provisions for such items as salaries and wages, employee benefits, professional services and long-term debts).



F. ELECTRONIC PUBLICATION OF FINANCIAL REPORT

1. We acknowledge our responsibility for the electronic presentation of the audited financial report and independent auditor's report on the internet is identical to the signed hard copy version.
2. We acknowledge our responsibility to clearly differentiate between audited and unaudited information in the construction of the Council's website as we understand the risk of potential misrepresentation.
3. We acknowledge our responsibility for the design, implementation and internal control to ensure the security and integrity of the data published on the internet.
4. We acknowledge our responsibility to only publish the independent auditor's report when the full financial report is presented on the website.

G. OTHER

1. Minute book provided to you contains complete and authentic minutes of all meetings and committees held throughout the year to the most recent meetings.
2. We believe that the Council will be able to meet its financial commitments when they fall due.

Yours faithfully,

Sarah PHILPOTT
CHIEF EXECUTIVE OFFICER



Galpins

Accountants, Auditors & Business Consultants

2020/21 Audit Completion Report

City of Mount Gambier



Mount Gambier
233 Commercial Street West
PO Box 246, Mount Gambier SA 5290
DX 29044
P: (08) 8725 3068
F: (08) 8724 9553
E: admin@galpins.com.au

Stirling
Unit 4, 3-5 Mount Barker Road
PO Box 727, Stirling SA 5152
P: (08) 8339 1255
F: (08) 8339 1266
E: stirling@galpins.com.au

Norwood
3 Kensington Road, Norwood SA 5067
PO Box 4067, Norwood South SA 5067
P: (08) 8332 3433
F: (08) 8332 3466
E: norwood@galpins.com.au

www.galpins.com.au



Table of Contents

EXECUTIVE SUMMARY	3
1. Status of Our Audit Work	4
2. Summary of Audit Risks and Overall Responses	5
3. Key Audit Matters	7
3.1 Valuation of Infrastructure assets.....	7
3.2 Valuation of Land and Buildings	8
3.3 Accounting Treatment of Capitalisation of Assets	9
3.4 Management Override of Controls	9
3.5 Other High Risk Areas	10
4. Internal Controls Opinion and Recommendations	11
5. Final Management Letter	12
6. Corrected Adjustments	13
7. Immaterial Uncorrected Misstatements.....	14
8. Contact Details.....	15
Appendix 1 – Proposed Independent Auditor’s Report on the Financial Report	16
Appendix 2 – Proposed Independent Auditor’s Report on the Internal Controls	18
Appendix 3 – Statement by Auditor	20
Appendix 4 – Better Practice Model (BPM) Risks	21
Appendix 5 – Risk Ratings	24





City of Mount Gambier

EXECUTIVE SUMMARY

To the members of the audit committee of City of Mount Gambier

We are pleased to present our Audit Completion Report for the financial year ended 30 June 2021. The purpose of this document is to summarise the key accounting and audit matters that have arisen during the engagement and our audit conclusions.

We intend to issue the following opinions (subject to the satisfactory completion of the items described in section 1 – *Status of our Audit Work* of this document):

Intended opinions	Type of opinion	Proposed Auditor's Report
Opinion on the Financial Statements	Unmodified	Refer to the Appendix 1 of this report.
Controls Opinion	Unmodified	Refer to the Appendix 2 of this report.

We have included in this report the following information to ensure that councillors, management and audit committee members are aware of all significant matters relating to the audit.

Matters	Sections
Status of our audit work	Section 1
Summary of Audit Risks and Overall Responses	Section 2
Key Audit Matters	Section 3
Internal Controls Opinion and Recommendations	Section 4
Final Management Letter	Section 5
Corrected Adjustments	Section 6
Immaterial Uncorrected Misstatements	Section 7
Proposed Independent Auditor's Report on the Financial Report	Appendix 1
Proposed Independent Auditor's Report on the Internal Controls	Appendix 2
Draft Statement by Auditor	Appendix 3
Better Practice Model (BPM) Risks	Appendix 4
Risk Ratings	Appendix 5

We also confirm our intention to sign the statement by auditor regarding our independence, and confirm that for the audit of the year ended 30 June 2021 we have maintained our independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 made under that Act.

Yours faithfully

Tim Muhlhausler CA Registered Company Auditor
Date: 21 September 2021





1. Status of Our Audit Work

Below is a summary of the status of audit activities and key documents related to the completion of our final audit.

Activities/Documents	Responsibility	Status
Final draft of the financial report	Management	Completed
Final audit visit	Audit	Completed
Final substantive procedures	Audit	Completed
Audit verification of the final draft of the financial report	Audit	Completed
Final draft of the financial report after audit verification	Management	Completed
Audit Completion Report	Audit	Completed
Signed certification of auditor independence	Management	To be completed
Final financial report after considerations from the audit committee	Management	To be completed
Signed certification of financial statements	Management	To be completed
Signed management representation letter	Management	To be completed
Signed statement by auditor	Audit	To be completed
Review of subsequent events up to the date of the auditor's report.	Audit	To be completed
Final Independent Auditor's Report on the Internal Controls	Audit	To be completed
Final Independent Auditor's Report on the Financial Report	Audit	To be completed

Our final independent auditor's reports on the internal controls and on the financial report will be issued upon receipt of the final financial report (containing the signed certification of financial statements and the signed certification of auditor independence) and the signed management representation letter.





2. Summary of Audit Risks and Overall Responses

Below, a summary of our initial audit risks identified in our audit plan presented to the audit committee, the audit approach and responses to address these risks and the final audit risks (residual risks) after the execution of our audit procedures.

Statement of Comprehensive Income – Income

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Rates	High	22,769	RA1/RA2/RA3/RA4/RE1/RE2	Controls and substantive tests	Low	Fairly presented
Statutory charges	Moderate	621	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
User charges	Moderate	4,880	US1/US2/US3/RE1/RE2	Substantive tests	Low	Fairly presented
Grants	Moderate	4,505	GR1/GR2/GR3/RE1/RE2	Controls and substantive tests	Low	Fairly presented
Investment Income	Low	25	III	Substantive tests	Low	Fairly presented
Reimbursements	Low	60	OR1	Substantive tests	Low	Fairly presented
Other Income	Low	635	OR1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income - Expenses

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Depreciation and amortisation	High	7,940	FI4	Controls and substantive tests	Low	Fairly presented
Employee costs	Moderate	13,058	PA1/PA2/PA3/PA4/PA5/PA6	Controls and substantive tests	Low	Fairly presented
Materials / Contracts / Other Expenses	Moderate	14,018	PP1/PP2/PP3/PP4/PP5/PP6 CO1/CO2/CO3 CC1/CC2/CC3	Controls and substantive tests	Low	Fairly presented
Finance Costs	Low	226	BO1	Substantive tests	Low	Fairly presented

Statement of Comprehensive Income – Other Comprehensive Income

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Asset Disposals & FV Adjust	High	(730)	FI1/FI3	Controls and substantive tests	Low	Fairly presented
Amounts Received Specifically for New or Upgraded Assets	Moderate	2,677	GR1/GR2/GR3/RE1/RE2	Substantive tests	Low	Fairly presented
Physical Resources Received Free of Charge	Low	1,230	FI1	Substantive tests	Low	Fairly presented





Statement of Financial Position – Assets

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Cash and cash equivalents	High	1,893	BA1/BA2/IN1/IN2/IN3	Controls and substantive tests	Low	Fairly presented
Trade and other receivables	Moderate	4,181	DE1/DE2/DE3/DE4/DE5/PR1	Controls and substantive tests	Low	Fairly presented
Inventories	Low	47	INV1	Substantive tests	Low	Fairly presented
IPPE and WIP	High	263,422	FI1/FI2/FI3/FI4/FI5	Controls and substantive tests	Low	Fairly presented

Statement of Financial Position - Liabilities

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Trade and other payables	Moderate	5,765	AP1/AP2/AP3/AP4/AP5/TA1/AE1	Controls and substantive tests	Low	Fairly presented
Borrowings	Moderate	447	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Provisions	Low	3,013	EP1	Substantive tests	Low	Fairly presented
Borrowings - NC	Moderate	13,502	BO1/BO2/BO3/BO4	Substantive tests	Low	Fairly presented
Provisions - NC	Low	4,064	EP1	Substantive tests	Low	Fairly presented

Statement of Financial Position - Equity

Accounts	Initial Audit Risk	\$ '000	Risks as per BPM – REF*	Audit Response	Residual Risk	Results
Accumulated Surplus	Low	66,406	N/A	Substantive tests	Low	Fairly presented
Asset Revaluation Reserves	High	175,462	FI3	Controls and substantive tests	Low	Fairly presented
Other Reserves	Low	884	N/A	Substantive tests	Low	Fairly presented

Intended Audit Opinion

In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, the financial report prepared by the Council presents fairly, in all material respects, the Council's financial position as at the end of the current financial year and its financial performance for the year ended on that date.

* A list of the main risks as per the Better Practice Model (BPM) addressed during our audit and related risk references is provided in Appendix 4.





3. Key Audit Matters

Key audit matters are those matters that, in the auditor’s professional judgement, were of most significance in the audit of the financial report. We address these matters in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

3.1 Valuation of Infrastructure assets

Why the matter is significant	How the matter was addressed
<p>Infrastructure assets are valued at fair value. The fair values of these assets were based on depreciated current replacement costs which is comprised by the gross replacement cost less accumulated depreciation.</p> <p>Council values the gross replacement cost using the estimated average cost (unit cost) at which it could construct a substitute asset of comparable quality in the normal course of business. There was inherent subjectivity involved in making judgments in relation to assumptions used to estimate unit rates which also involved determining the:</p> <ul style="list-style-type: none"> ▪ components of assets that are replaced at different times in the asset lifecycle ▪ costs required to replace these components using current prices for materials, labour, and plant costs ▪ indices for measuring subsequent changes in unit rates. <p>The useful lives of assets and the measurement of accumulated depreciation are determined by external valuers. Significant judgement is used to determine the different useful lives for different components of assets and to calculate the depreciation that would have accumulated since original construction using these estimated useful lives.</p> <p>The significant professional judgments used to estimate the gross replacement cost and the accumulated depreciation are also relevant to the calculation of the annual depreciation expense of these assets.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset register ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ reviewed the fair value hierarchy provided in note 7 for each category of asset ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation ▪ reviewed the methodology used by Council to perform componentisation of infrastructure assets and compared the methodology used to Council’s actual asset management practices and to other local government entities ▪ reconciled the unit rates used for different components of infrastructure assets to the unit rates provided in the valuer’s report ▪ reviewed the unit rates mentioned above and compared them to different local government entities ▪ assessed the adequacy of disclosures in the financial report.





3.2 Valuation of Land and Buildings

Why the matter is significant	How the matter was addressed
<p>Land and buildings are valued at fair value. The basis of valuation to be used for these assets depends on a number of factors such as the nature of the asset, purpose of their use, the highest and best use of the asset, potential restrictions to the disposal of these assets among other factors.</p> <p>Valuation of land depends on whether the land is classified as Crown land or community land. Community land and Crown land are valued using unobservable (level 3) inputs as the allowance for the restriction on sale (requiring Ministerial consent) is usually an unobservable input, and is likely to have a significant effect on valuation.</p> <p>Land, where Council has an unfettered right to sell them, is usually valued at current market value based on their highest and best use. Level 2 inputs are primarily used for land during the valuation process.</p> <p>Valuation of buildings depends on the nature of these assets. Some Council buildings have no active market due to the specialised nature of the assets and the services they provide. For such buildings fair value is usually determined on the basis of replacement with a new building having similar service potential. Valuation techniques used to measure fair value of these buildings include significant unobservable inputs (level 3).</p> <p>For buildings that have an active market, buildings are assessed on market value principles which is deemed to be their fair value based on level 2 inputs. The most significant input into this valuation approach is sales transactions of comparable properties within the City, adjusted for any pertinent differences.</p> <p>The significant professional judgments used to estimate the value of buildings are also relevant to the calculation of the annual depreciation expense of these assets.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ reconciled closing balances to the asset registers ▪ reconciled the movements in note 7 to the asset registers ▪ reviewed the basis for valuation used by external valuers ▪ assessed the competence of external valuers (experts) in accordance with Australian Accounting Standards ▪ analysed the nature of the land building assets and concluded whether the fair value hierarchy provided in note 7 for each category of asset was reasonable ▪ reconciled the useful lives used to calculate the accumulated depreciation and the depreciation for the period to the revaluation reports ▪ reviewed the useful lives mentioned above for different components and compared them to other local government entities ▪ performed a recalculation of depreciation ▪ assessed the adequacy of disclosures in the financial report.





3.3 Accounting Treatment of Capitalisation of Assets

Why the matter is significant	How the matter was addressed
<p>Councils are asset intensive and highly dependent on multiple assets to deliver services to customers. Hence, there is a high volume of transactions and significant amounts involved in relation to capitalisation of assets.</p> <p>Due to the unique characteristics of Council’s assets a number of considerations are taken into account when an expenditure is capitalised which include:</p> <ul style="list-style-type: none"> ▪ whether Council is incurring capital expenditure on physical resources that are controlled by Council. Control is the most difficult of the characteristics of an asset to be defined as the concept goes beyond the legal ownership ▪ Inclusions and exclusions of costs at initial recognition of an asset in accordance with AASB 116 ▪ Cost involved in dismantling and removing the asset and/or restoring the site under AASB 137 ▪ Borrowing costs to be capitalised into the cost of IPPE where the asset is a “qualifying asset” as per AASB 123 ▪ accounting for subsequent costs and defining the nature of these costs as being capital or maintenance expenditure. 	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ performed analytical procedures to define whether the amounts capitalised for the FY was in accordance with our expectation and our understanding of the entity ▪ reviewed internal controls in place for capitalisation of assets ▪ selected a sample of additions and performed an assessment of the nature of the addition and concluded whether the addition was recognised in accordance with Australian Accounting Standards ▪ reviewed the WIP schedule and selected a sample of transfers out to ensure that the asset was appropriately valued and capitalised in the right account ▪ reviewed the WIP schedule in order to identify projects that should have been capitalised but were not.

3.4 Management Override of Controls

Why the matter is significant	How the matter was addressed
<p>Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare a fraudulent report by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, the risk of material misstatement due to fraud is a significant risk.</p>	<p>Our audit included but was not limited to the following activities:</p> <ul style="list-style-type: none"> ▪ tested the appropriateness of journal entries recorded in the general ledger ▪ reviewed accounting estimates for biases ▪ performed final analytical procedures to conclude as to whether the financial report is consistent with our understanding of the entity ▪ requested written representation from Management ▪ reviewed IT access controls rights processes in place ▪ reviewed processes in place to ensure independent reviews of exception reports generated by Council ▪ reviewed processes in place to ensure independent reviews of audit trails of changes to master files.





3.5 Other High Risk Areas

The other high risk areas described in this section are account balances and/or audit areas that are not subject to a high degree of professional judgement, however we assessed their inherent risks as being high due to the materiality of the account balances, the high volume of transactions involved and other reasons outlined below:

Account balance	Why the risk is High	Overall audit response
Rates and charges	<ul style="list-style-type: none"> - largest revenue item - often used as a reference point for analysing expenditure decisions - politically sensitive – reputational risk involved if rates are raised incorrectly. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - comparison of total capital values from the VG report to the total capital value recorded in the rates system - reconciliation of the rates modelling to the rates system and to the general ledger - recalculation of rates for a sample of rate payers.
Employee costs	<ul style="list-style-type: none"> - one of the largest expense items - high volume of transactions / data – subject to error - errors impact individuals financially. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of employee files (contracts, awards, EBs) - inspection of timesheets - recalculation of a sample of individual payments.
Materials, Contracts & Other expenses	<ul style="list-style-type: none"> - one of the largest expense items - High volume of transactions, inherently higher risk of error - fraud risk area (procurement, payments and credit cards) - procurement and contracting are key focus areas for ICAC and the Auditor-General’s Department. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - inspection of supporting documents (contracts, invoices, purchase orders, subsequent payments, etc) for a sample of expenses.
Cash and cash equivalents	<ul style="list-style-type: none"> - material balance - fraud risk - if there is any instance of errors and/or fraud it will be indicative of broader errors - Poor attitude to cash controls may be indicative of overall culture related to the entity’s controls environment - public money. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - bank confirmation - inspection of bank statements - verification of outstanding reconciling items - reperformance of bank reconciliations.
Trade and other payables	<ul style="list-style-type: none"> - one of the largest liabilities - material balance - opportunity for understatements - if there is a poor use of accrual basis of accounting it may be indicative of poor culture - payments represent an opportunity for fraud. 	<ul style="list-style-type: none"> - walkthroughs and tests of effectiveness of controls from the Better Practice Model - analytical procedures - reconciliation between subsidiary ledgers and the general ledger - inspection of subsequent payments for a sample of creditors - inspection of a sample of subsequent payments for completeness test.





4. Internal Controls Opinion and Recommendations

We have performed an extensive review of the Council’s financial controls for the purpose of forming our control opinion as required by section 129 of the *Local Government Act 1999* based on council’s obligations under s125 of that Act.

Our controls opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively		2021 Findings			
		2021	2020	H	M	L	BP
Purchasing & Procurement/Contracting	7	6	5	-	1	-	-
Fixed Assets	12	11	12	-	-	1	-
General Ledger	9	9	9	-	-	-	-
Accounts Payable	11	10	10	-	1	-	-
Credit Cards	5	5	5	-	-	-	-
Payroll	15	14	14	-	1	-	-
Rates / Rates Rebates	8	8	8	-	-	-	-
Banking	6	6	6	-	-	-	-
Receipting	3	3	3	-	-	-	-
IT Controls*	16	10	8	-	6	-	-
Total	92	82	80	-	9	1	-

Overall, the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim audit visit we found that the majority of key internal controls reviewed were in place and were operating effectively (72 out of 76 core controls reviewed, excluding IT Controls¹). Risks were rated based on an assessment of the risk of non-compliance with s125 of the *Local Government Act 1999* as described in the Appendix 5 – Risk Ratings.

We recommended that Council prioritises the moderate risk findings, as failure in compensating controls addressing the same risk or existence of multiple moderate weakness within the same business cycle may lead to a material weakness and non-compliance with s125 of the Local Government Act.

In our opinion, subject to the satisfactory completion of the items described in section 1 of this report, the Council has complied, in all material aspects, with Section 125 of the Local Government Act 1999 in relation to Internal Controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities.

¹ IT Controls selected do not form part of the Better Practice Model against which our internal controls opinion is assessed.





City of Mount Gambier

5. Final Management Letter

No additional audit findings have been identified during our final audit. Please refer to our *Internal Controls Letter* and *IT Entity Level Controls Review* reports (provided separately) for details of improvement opportunities identified.





6. Corrected Adjustments

In addition to general formatting and wording changes, and some minor changes to comparative balances and ratio calculations, the following material audit adjustment was requested:

1. Cash flow statement – misallocation of non-cash movements

Movement in payables of \$2.617m related to Community & Recreation HUB works was incorrectly allocated to 'Finance Payments'. This was adjusted to reallocate the movement against 'Expenditure on new/upgraded assets'.





7. Immaterial Uncorrected Misstatements (IUMs)

Auditing standards require us to advise you of uncorrected misstatements identified during the course of our audit. These represent variances in the statements that we consider to be immaterial to the financial statements as a whole, and for which we are not requesting any audit adjustments to be made. Audit identified the following IUM:

1. Lease liabilities – current/non-current split

DR / CR	Account description	Approximate Amount
Dr	Lease Liabilities - Current	\$73,000
Cr	Lease Liabilities - Non-Current	\$73,000
Description:		
Council has not split leases into current and non-current portions.		





City of Mount Gambier

8. Contact Details



Tim Muhlhausler CA, B Comm, Grad Dip. (ICAA),
Registered Company Auditor, MIAA (Aust), Registered SMSF Auditor
Partner

☎ (08) 8332 3433
☎ (08) 8332 3466
🌐 www.galpins.com.au



📍 3 Kensington Road Norwood SA 5067
PO Box 4067 Norwood South SA 5067



Mariska Hawke B Acc

Audit Manager

☎ (08) 8725 3068
☎ (08) 8724 9553
🌐 www.galpins.com.au



📍 233 Commercial Street West
PO Box 246 Mount Gambier SA 5290





Appendix 1 – Proposed Independent Auditor’s Report on the Financial Report

To the members of City of Mount Gambier

Opinion

We have audited the accompanying financial report of City of Mount Gambier (the Council), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Council Certificate of City of Mount Gambier.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2021, and its financial performance and its cash flow for the year then ended in accordance with the Australia Accounting Standards, *Local Government Act 1999* and *Local Government (Financial Management) Regulations 2011*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Council’s Responsibility for the Financial Report

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

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

Auditor’s Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatements, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and





City of Mount Gambier

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of this financial report.

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

- Identify and assess the risk of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the financial report in order to design procedures that are appropriate in the circumstances, but for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:





Appendix 2 – Proposed Independent Auditor’s Report on the Internal Controls

To the members of City of Mount Gambier

Independent Assurance Report on the Internal Controls of City of Mount Gambier

Opinion

We have audited the compliance of City of Mount Gambier (the Council) with the requirements of Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2020 to 30 June 2021 have been conducted properly and in accordance with the law.

In our opinion, City of Mount Gambier has complied, in all material respects, with Section 125 of the *Local Government Act 1999* in relation to internal controls established by the Council in relation to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2020 to 30 June 2021.

Basis for Opinion

We conducted our engagement in accordance with applicable Australian Standards on Assurance Engagement ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagement on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements of the Australian professional accounting bodies.

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

The Council’s Responsibility for Internal Controls

The Council is responsible for implementing and maintaining an adequate system of internal controls, in accordance with Section 125 of the *Local Government Act 1999* to ensure that the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities have been conducted properly and in accordance with law.

Our Independence and Quality Control

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





Auditor's responsibility

Our responsibility is to express an opinion on the Council's compliance with Section 125 of the *Local Government Act 1999* in relation only to the internal controls established by the Council to ensure that financial transactions relating to receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures. Our engagement has been conducted in accordance with applicable Australian Standards on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information* and ASAE 3150 *Assurance Engagements on Controls*, issued by the Australian Auditing and Assurance Standards Board, in order to state whether, in all material respects, the Council has complied with Section 125 of the *Local Government Act 1999* in relation only to the internal controls specified above for the period 1 July 2020 to 30 June 2021. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

Limitations of Controls

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

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

Limitation of Use

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:





City of Mount Gambier

Appendix 3 – Statement by Auditor

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2021, I have maintained my independence in accordance with the requirements of APES 110 – *Code of Ethics for Professional Accountants (including Independence Standards)*, Part 4A, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

GALPINS ACCOUNTANTS, AUDITORS & BUSINESS CONSULTANTS

Tim Muhlhausler CA Registered Company Auditor
Partner

Date:





Appendix 4 – Better Practice Model (BPM) Risks

The risks outlined below are the main BPM risks addressed when determining our audit approach / response as described in section 2 of this report.

Business Cycles	Risk REF	Risks
Rates	RA1	Council does not raise the correct level of rate income
	RA2	Rates and rate rebates are either inaccurately recorded or not recorded at all
	RA3	The property master file data does not remain pertinent
	RA4	Rates are not collected on a timely basis
User Pay Income / Fee for services	US1	The fee charged does not reasonably reflect the value of the services provided
	US2	Council does not apply User Pay principles consistently
	US3	User pay income is either inaccurately recorded or not recorded at all
Investment / Interest Income	II1	Investment income is either inaccurately recorded or not recorded at all
Other Revenue	OR1	Other revenue is either inaccurately recorded or not recorded at all
Grants	GR1	Council loses recurrent grant funding to provide existing services
	GR2	Grant funding is not claimed by Council on a timely basis or not claimed at all
	GR3	Grants are either inaccurately recorded or not recorded at all
Receipting	RE1	Receipts are either inaccurately recorded or not recorded at all
	RE2	Receipts are not deposited at the bank on a timely basis
Purchasing & Procurement	PP1	Council does not obtain value for money in its purchasing and procurement
	PP2	Purchase of goods and services are made from non-preferred suppliers
	PP3	Purchase orders are either recorded inaccurately or not recorded at all
	PP4	Purchase orders are made for unapproved goods and services
	PP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Payroll	PA1	Payroll expense is inaccurately calculated
	PA2	Payroll disbursements are made to incorrect or fictitious employees
	PA3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all
	PA4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
	PA5	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation
	PA6	Employees termination payments are not in accordance with statutory and enterprise agreements
Credit cards	CC1	Credit cards are issued to unauthorised employees
	CC2	Credit cards are used for purchases of a personal nature
	CC3	Credit card limits are set at inappropriate levels





Business Cycles	Risk REF	Risks
Other Expenses	OE1	Other expenses are invalid, inaccurately recorded or not recorded at all
Contracting	CO1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process
	CO2	Council does not obtain value for money in relation to its Contracting
	CO3	Commitments are made for unapproved goods and services
Banking	BA1	Banking transactions are either inaccurately recorded or not recorded at all
	BA2	Fraud (i.e. misappropriation of funds)
Investments	IN1	Council makes poor investment decisions
	IN2	Investment transactions are either not recorded or are recorded inaccurately
	IN3	Investment income is inaccurately calculated or not recorded in the appropriate period
Debtors	DE1	Debtors are either inaccurately recorded or not recorded at all
	DE2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
	DE3	An appropriate provision for doubtful debts is not recorded
	DE4	Debtors are either not collected on a timely basis or not collected at all
	DE5	The Debtors master file data does not remain pertinent.
Inventories	INV1	Inventories are either inaccurately recorded or not recorded at all
Fixed Assets	FI1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all. Fixed Asset Register (FAR) does not remain pertinent
	FI2	Fixed assets are inadequately safeguarded
	FI3	Fixed assets are not valued correctly initially or on subsequent revaluation
	FI4	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals
	FI5	Fixed asset maintenance and/or renewals are inadequately planned
Prepayments	PR1	Prepayments are either inaccurately recorded or not recorded at all
Loans to Community groups	LO1	Loans to community groups are inaccurately recorded or not recorded at all
Accounts Payable	AP1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
	AP2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
	AP3	Disbursements are not authorised properly
	AP4	Accounts are not paid on a timely basis
	AP5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file
Accrued Expenses	AE1	Accrued Expenses are either inaccurately recorded or not recorded at all





City of Mount Gambier

Business Cycles	Risk REF	Risks
Borrowings	BO1	Borrowings are either not recorded or are recorded inaccurately
	BO2	Loans are taken out without appropriate approval
	BO3	Loans are not repaid in accordance with agreed terms
	BO4	Loan repayments are not recorded at all or are recorded inaccurately
Employee Provisions	EP1	Employee provisions are either inaccurately recorded or not recorded at all
Taxation	TA1	Tax liabilities are either inaccurately recorded or not recorded at all





Appendix 5 – Risk Ratings

The audit findings identified during our interim audit documented in our interim management letter and in section 4 of this report were rated as follows:

Category	Description
Potential Material Weaknesses	The issue described could lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council’s financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.



Galpins

Accountants, Auditors & Business Consultants

Financial Controls Review

City of Mount Gambier

Internal Controls Letter 2020/21



Mount Gambier
233 Commercial Street West
PO Box 246, Mount Gambier SA 5290
DX 29044
P: (08) 8725 3068
F: (08) 8724 9553
E: admin@galpins.com.au

Stirling
Unit 4, 3-5 Mount Barker Road
PO Box 727, Stirling SA 5152
P: (08) 8339 1255
F: (08) 8339 1266
E: stirling@galpins.com.au

Norwood
3 Kensington Road, Norwood SA 5067
PO Box 4067, Norwood South SA 5067
P: (08) 8332 3433
F: (08) 8332 3466
E: norwood@galpins.com.au

www.galpins.com.au



Table of Contents

1. EXECUTIVE SUMMARY	3
1.1 Background	3
1.2 Objectives and scope	3
1.3 Category of findings	5
1.4 Overall review of the Council's internal controls.....	6
1.5. Summary of findings	7
2. DETAILED AUDIT FINDINGS	8
2.1 Purchasing and Procurement.....	8
2.1.1 Purchase Orders raised after invoices received.....	8
2.2 Fixed Assets.....	9
2.2.1 No formal maintenance plans supporting general maintenance strategies per the asset management plan.....	9
2.3 Accounts Payable	10
2.3.1 Improvements required in process for uploading supplier EFT files into the online banking system.....	10
2.4 Payroll	11
2.4.1 Improvements required in process for uploading payroll EFT files into the online banking system.....	11
APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS	12





1. EXECUTIVE SUMMARY

1.1 Background

During our interim audit we perform procedures to gain an understanding of the internal controls in place relevant to the financial statements and perform tests of design and effectiveness for these controls. Based on the results of the control testing, we then assess the audit risks to define the extent and nature of our substantive procedures (e.g. inspection of documents, recalculation, reconciliation, etc) for our final visit.

Section 129 of the Local Government Act 1999 requires auditors to provide an opinion regarding internal controls of councils. This opinion focuses on councils' obligations under s125 of the Local Government Act 1999:

"A council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets, and to secure (as far as possible) the accuracy and reliability of council records."

The audit opinion is restricted per s129 of the Act to the application of s125 as it relates to financial internal controls, specifically the controls exercised by the council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

In order to assist the Council in addressing the requirements of s129, we have reviewed a prioritised list of controls from the better practice model based on our initial audit risk assessment. Further details about our scope can be found in item 1.2 of this report.

1.2 Objectives and scope

The objectives of our interim audit were to:

- understand Council's business, business cycles and processes relevant to the financial statements
- understand the internal controls in place for the areas we consider critical for the audit of the financial statements
- design internal controls tests for the internal controls identified
- perform the internal controls tests to determine the final risks of material misstatements in the financial statements to be addressed in our final audit
- review a prioritised list of internal financial controls we consider critical for the purpose of issuing a controls opinion.

The scope of our audit included a review of internal controls we consider key controls to be in place for the purpose of addressing the requirements of s129.





These key internal controls consist of a prioritised list of controls from the better practice model. This list was defined based on our risk assessment to determine the key business cycles, and key risks within these business cycles, that we understand should be the focus of the Council's control self-assessment.

The identification of key core controls and key business risks included the following risk assessment procedures:

Risk review – A review of Council's inherent risk assessment for internal financial controls.

Financial statement review – A high level financial statement review performed to identify key accounts and transaction streams.

Internal / external audit results review – The findings and recommendations of internal / external financial audits are reviewed to identify known areas of weakness, and areas known to be attracting audit attention.

The key core controls for the following key business cycles have been identified as critical for the purpose of issuing a controls opinion this financial year:

- Purchasing and Procurement/Contracting
- Fixed Assets
- General Ledger
- Accounts Payable
- Credit Cards
- Payroll
- Rates / Rates Rebates
- Banking
- Debtors
- Receipting

We have included a list of key controls identified by the audit for these business cycles as an appendix to this report (see Appendix 1). This list does not represent a complete population of internal controls that the Council should have in place. There is an expectation that controls not in this list will still exist and be operating effectively within Council.

The list of controls is only intended to be a guide for Council to prioritise its resourcing in readiness for the audit opinion, and for the ongoing monitoring of internal controls i.e. it is a risk based listing of controls which may be desirable for Council to include in its ongoing monitoring program for internal financial controls.

The list should not be considered a minimum standard – rather, it is a starting reference point for Council to consider. It is expected that Council will have performed a risk assessment of financial risks, and given consideration to the need to monitor controls that address High / Extreme risks that may not be included in this listing.





1.3 Category of findings

In order to assist the Council in establishing the overall level of control effectiveness and prioritising areas for attention, we have provided an overall assessment of the business cycles for which we have identified performance improvements opportunities (this report is prepared on an exception basis).

We assessed each business cycle using our risk assessment which was focused on the risk of finding material weaknesses which could lead to a modified controls opinion in the 2020/21 financial year. An overall assessment of the risk of a potential modified audit opinion per business cycle is provided in item 1.5 of this report.

Detailed findings including the controls tested as per the Better Practice Model, findings and recommendations are provided in section 2 of this report. The individual findings are also rated to assist the Council in prioritising corrective actions.

The overall assessment of the risk of non-compliance with s125 of the Local Government Act 1999 and the related findings and recommendations were rated as follows:

Category	Description
Potential Material Weaknesses	The issue described could lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Moderate Weaknesses	The issue described does not represent a material weakness due to the existence of compensating controls. However, the failure of the compensating controls or the existence of any other moderate weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Low Risk Weaknesses	The issue described is a low risk weakness due to the existence of compensating controls and/or the failure or absence of the internal controls does not impact significantly on the council’s financial risk. However, multiple low-level risk weakness within the same business cycle may lead to a material weakness in the council’s internal controls and non-compliance with s125 of the Local Government Act.
Better Practice Weaknesses	The issue described has been included in this report as an opportunity for better practice.

The Council should also perform its own assessment of priority based not only on audit risks, but also other risks management considers relevant such as non-compliance with pertinent legislations and regulations, and reputational risks.





1.4 Overall review of the Council’s internal controls

Overall the Council demonstrated a high level of compliance with the implementation of an internal control framework consistent with the principles within the Better Practice Model.

During our interim visit we noted that the majority of key internal controls reviewed were in place and were operating effectively (72 out of 76 core controls reviewed, excluding IT Controls¹). The principles underpinning the model were used by the Council in the identification of its business cycles, the establishment of its internal controls and the implementation of its financial risk management processes.

Whilst the total number of effective controls remains consistent with the prior year, there has been a good level of progress made towards addressing the identified control gaps since the prior period. Details of this progress can be found within the detailed findings in section 2 of this report.

A summary of the results of our review is provided in the table below:

Business cycles	Controls Reviewed	Operating Effectively		2021 Findings			
		2021	2020	H	M	L	BP
Purchasing & Procurement/Contracting	7	6	5	-	1	-	-
Fixed Assets	12	11	12	-	-	1	-
General Ledger	9	9	9	-	-	-	-
Accounts Payable	11	10	10	-	1	-	-
Credit Cards	5	5	5	-	-	-	-
Payroll	15	14	14	-	1	-	-
Rates / Rate Rebates	8	8	8	-	-	-	-
Banking	6	6	6	-	-	-	-
Receipting	3	3	3	-	-	-	-
IT Controls*	16	10	8	-	6	-	-
Total	92	82	80	-	9	1	-

* the results of our IT Control testing have been provided in a separate, confidential report

We noted that Council has established mechanisms to ensure ongoing monitoring of effectiveness of the internal controls such as an internal controls self-assessment and tests of effectiveness of internal controls on a sample basis.

Audit have concluded that an unmodified controls opinion will be issued.

¹ IT Controls selected do not form part of the Better Practice Model against which our internal controls opinion is assessed.





1.5. Summary of findings

Business Cycle	Findings	Risk
Purchase, Procurement and Contracting	2.1.1 Purchase Orders not being consistently raised prior to purchasing.	M
Fixed Assets	2.2.1 No formal maintenance plans supporting general maintenance strategies per the asset management plan	L
General Ledger	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Accounts Payable	2.3.1 Improvements are necessary in the process of uploading supplier EFT files into the online banking system.	M
Credit Cards	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Payroll	2.4.1 Improvements are necessary in the process of uploading payroll EFT files into the online banking system.	M
Rates / Rate Rebates	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Banking	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A
Receipting	Audit did not find any issue that would represent a risk of non-compliance with s125 of the Local Government Act.	N/A

Note: the results of our IT Control testing have been provided in a separate, confidential report





2. DETAILED AUDIT FINDINGS

2.1 Purchasing and Procurement

2.1.1 Purchase Orders raised after invoices received		Moderate
Control	Purchase orders are issued in accordance with the Council's Purchasing and Procurement Policy.	
Risk	Purchase orders are either recorded inaccurately or not recorded at all.	

Finding	Recommendations	Management Response
<p>Purchase Orders are sometimes raised after goods or services have been invoiced.</p> <p>Our payments sample included 20 payments to suppliers for which a Purchase Order would be expected.</p> <p>Of these, we noted 7 instances where the Purchase Order was not raised until after Council had been invoiced.</p> <p>This represents an increase in compliance compared with the prior year's audit (10 of 17 Purchase Orders raised post invoice date in 2020).</p>	<p>Management investigates non-compliance with purchase order usage. This could include reviewing system reports comparing purchase order dates to invoice dates, analysing the nature of non-compliances and speaking to any repeat offenders to understand the reasons for non-compliance.</p> <p>Depending on the outcome of this review, Council may determine that:</p> <ul style="list-style-type: none"> • additional education and training is warranted to improve compliance; and/or • there is an opportunity to amend the policy on purchase order use to better reflect the desired use of purchase orders by staff. This could, for example, include: <ul style="list-style-type: none"> • introducing a low-value item threshold, below which a purchase order is not required • guidance on expected use (or otherwise) of purchase orders for contracted works • including a list of exemptions for purchase order use within the policy. 	<ul style="list-style-type: none"> • Monthly Executive and Procurement reporting is currently under development which would incorporate a monthly review of procurement compliance. This will be implemented by the end of Quarter 2 2021/22. • Further review will be undertaken as per the recommendation with an expected completion date of the end of Quarter 3 2021/22.





2.2 Fixed Assets

2.2.1 No formal maintenance plans supporting general maintenance strategies per the asset management plan		Low
Control	Asset maintenance is planned and monitored with relevant staff in accordance with the asset management plans.	
Risk	Fixed Asset maintenance and/or renewals are inadequately planned.	

Finding	Recommendations	Management Response
<p>Preventative maintenance aims to slow down asset deterioration and reactive maintenance aims to restore the serviceability of assets by reacting to failures. Determining the optimal balance of these activities is a key asset management decision. As more investment is made in preventative maintenance, reactive costs (and in many cases, whole of life costs) typically decrease.</p> <p>General maintenance strategies are described in the asset management plans. Council has different strategies and maintenance schedules in place depending on the class of assets.</p> <p>There are no formal maintenance plans in place supporting the general strategies described in the asset management plans.</p> <p>Audit acknowledges that formalising maintenance plans is under consideration following implementation of new asset plans.</p>	<p>Implement formal maintenance plans, including details of (for example):</p> <ul style="list-style-type: none"> - Key stages of a typical reactive maintenance fault response process including fault notification, mobilisation and attendance, service restoration, repair activities and fault closure; - Maintenance programs containing the type of maintenance activities for each asset type, the frequency of maintenance based on a criticality assessment and guidance on how the maintenance activity is performed; - Monitoring process in place to ensure that the maintenance programmes are completed; - Processes for identifying improvement opportunities or changes in the current plans based on failure records and condition assessments (e.g. inspection period can be extended to longer interval for assets showing no deterioration within 12 months or inspections with shorter intervals based on history of failure). 	<p>Formal plans will be implemented as per the recommendation by the end of Quarter 3 2021/22.</p>





2.3 Accounts Payable

2.3.1 Improvements required in process for uploading supplier EFT files into the online banking system		Moderate
Control	Payments (Cheques and EFTs) are endorsed by authorised officers separate to the preparer who ensure that they are paid to the specified payee.	
Risk	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.	
Finding	Recommendations	Management Response
<p>Audit reviewed the processing of accounts payable batch payments and noted the following:</p> <p>Council’s financial system generates an EFT file which is stored on Council’s internal drive prior to being manually uploaded into the online banking system. The EFT file can be opened as a TXT (text format) file and potentially be manually manipulated prior to being uploaded.</p> <p>The folder where the TXT file is saved has no security permissions so can be accessed by everyone with access to the share drive.</p>	<p>To reduce the risk of inappropriate changes in the EFT file, access to the folder containing the file should be restricted only to staff requiring access. Council should also investigate ways to ensure that the file is generated as “read-only” or access to the folder in which the file is stored is “read-only”.</p> <p>Another way to reduce risk is to compare (and evidence via screenshots) the date and time the TXT file was ‘Created’ versus ‘Modified’ (in the file properties) before authorising the online payment:</p> <p>Created: Monday, 27 April 2020, 9:57:04 AM Modified: Monday, 27 April 2020, 9:57:56 AM Accessed: Today, 27 April 2020, 44 minutes ago</p> <p>‘Created’ and ‘Modified’ times should be identical.</p> <p>In addition, Council should investigate whether it is possible to implement a direct interface between the finance system and the online banking system.</p>	<ul style="list-style-type: none"> • Access to the EFT file is restricted to appropriate senior staff. • EFT payments are reviewed by two senior managers within the organisation and compared to the Authority source documents. Any changes to the EFT file would be seen by the manager reviewing the payment. • Finance staff will investigate the possibility of a direct interface as recommended by the end of Quarter 3 2021/22.





2.4 Payroll

2.4.1 Improvements required in process for uploading payroll EFT files into the online banking system		Moderate
Control	The transfer of the bank file should be restricted to authorised officers who are not be involved in the preparation of the pay run.	
Risk	Payroll disbursements are made to incorrect or fictitious employees.	

Finding	Recommendations	Management Response
<p>Audit reviewed the processing of payroll batch payments and noted the following:</p> <p>Council’s financial system generates an EFT file which is stored on Council’s internal drive prior to being manually uploaded into the online banking system. The EFT file can be opened as a TXT (text format) file and potentially be manually manipulated prior to being uploaded.</p> <p>The folder where the TXT file is saved has no security permissions so can be accessed by everyone with access to the share drive.</p>	<p>To reduce the risk of inappropriate changes in the EFT file, access to the folder containing the file should be restricted only to staff requiring access. Council should also investigate ways to ensure that the file is generated as “read-only” or access to the folder in which the file is stored is “read-only”.</p> <p>Another way to reduce risk is to compare (and evidence via screenshots) the date and time the TXT file was ‘Created’ versus ‘Modified’ (in the file properties) before authorising the online payment:</p> <p>Created: Monday, 27 April 2020, 9:57:04 AM Modified: Monday, 27 April 2020, 9:57:56 AM Accessed: Today, 27 April 2020, 44 minutes ago</p> <p>‘Created’ and ‘Modified’ times should be identical.</p> <p>In addition, Council should investigate whether it is possible to implement a direct interface between the finance system and the online banking system.</p>	<ul style="list-style-type: none"> • Access to the EFT file is restricted to appropriate senior staff. • EFT payments are reviewed by two senior managers within the organisation and compared to the Authority source documents. Any changes to the EFT file would be seen by the manager reviewing the payment. • Finance staff will investigate the possibility of a direct interface as recommended by the end of Quarter 3 2021/22.





APPENDIX 1 – CRITICAL INTERNAL FINANCIAL CONTROLS



FIXED ASSETS

Risks

R1	Fixed asset acquisitions, disposals and write-offs are fictitious, inaccurately recorded or not recorded at all.
R2	Fixed assets are inadequately safeguarded.
R3	Fixed Assets are not valued correctly
R4	Depreciation charges are either invalid not recorded at all or are inaccurately recorded.
R5	Fixed Asset maintenance and/or renewals are inadequately planned.

RISKS	Control	Control Type	CSA Importance	Weighting
R1	Regular verification of fixed assets are conducted and reconciled to the FAR.	Core		4
R1	Recorded changes to the FAR and/or masterfile are approved by management, compared to authorised source documents and General Ledger to ensure accurate input.	Core		5
R1	All fixed asset acquisitions and disposals are approved in accordance with Delegation of Authority and relevant Procurement and Fixed Asset Policies.	Core		5
R1	Access and on-going maintenance of the fixed asset register is performed by authorised officers only.	Core		4
R1	Council has an asset accounting policy which details thresholds for recognition of fixed assets which is monitored to ensure adherence.	Core		5
R1	Reconciliation of fixed assets to the General Ledger is performed regularly.	Core		4
R1	Asset maintenance schedules are prepared, updated, and monitored by management and activity per the asset maintenance schedule. Changes to the asset maintenance history register are compared to source documents to ensure that they were input accurately.	Core		4
R3	Management regularly reviews valuation of fixed assets - methodology and useful lives, to ensure valuation is appropriate and in accordance with reporting requirements. Where appropriate, Council may engage an expert to perform valuations.	Core		5
R3	Management reviews depreciation rates and methodology (at least annually) to ensure that methods used to value fixed assets are still appropriate.	Core		5
R3	Asset revaluations and depreciation reviews are performed in accordance with Australian Accounting Standards.	Core		5
R3	The annual review of assets includes reviewing the appropriateness of categories of assets and impairment testing.	Core		4
R4	Depreciation charges are calculated in accordance with the accounting policy, including the useful life, depreciation method and calculation formulas.	Core		5
R5	Asset Management Plans exist for all major asset classes and all changes to the asset management plan must be approved by Council.	Core		5





PURCHASING AND PROCUREMENT

Risks

R1	Council does not obtain value for money in its purchasing & procurement.
R2	Purchases of goods and services are made from non-preferred suppliers.
R3	Purchase orders are either recorded inaccurately or not recorded at all.
R4	Purchase orders are placed for unapproved goods and services.

RISKS	Control	Control Type	CSA Importance Weighting
R1	Council has a comprehensive Contract and Procurement Policy that is reviewed regularly.	Core	5
R1, R2, R4	Employees must ensure all purchase orders are approved in accordance with the Delegations of Authority and relevant policies.	Core	5
R3	Purchase orders are issued in accordance with the Council's Purchasing and Procurement Policy.	Core	5

CONTRACTING

Risks

R1	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.
R2	Council does not obtain value for money in relation to its Contracting.

RISKS	Control	Control Type	CSA Importance Weighting
R1,R2	Robust and transparent selection processes to ensure effective and qualified suppliers / contractors are selected by Council, including compliance with Code of Conduct, Conflict of Interest and procurement Policies.	Core	5
R1	Council to maintain a contract register.	Core	4
R1	The Contracts, Tenders and Procurement Policy and Procedures should be reviewed regularly.	Core	4
R2	Council does not release milestone payments to suppliers / contractors until they meet all their associated objectives.	Core	5



RATES / RATES REBATES

Risks

R1	Council does not raise the correct level of rate income.
R2	Rates and rate rebates are either inaccurately recorded or not recorded at all.
R3	The Property master file data does not remain pertinent
R4	Pensioner concessions and self-funded retirees are either inaccurately recorded or not recorded at all.

RISKS	Control	Control Type	CSA Importance	Weighting
R1, R2	Rates are automatically generated by the rate system, including the calculation of rate rebates, if applicable.	Core		4
R1, R2	Management regularly reviews the calculation methodology within the rate application system and for a sample of ratepayers to ensure correct calculation and methodology has been used.	Core		4
R1	All software changes to rate modelling functionality fully tested and reviewed by qualified personnel.	Core		5
R2	Regular review of exempt properties to ensure still valid, interest flag switched off and rate rebates.	Core		5
R2	Council approves rate rebates to rate payers in accordance with Delegations of Authority and as per the legislation.	Core		4
R2	Regular independent review of the rates aged receivables reports and independent check of rates payable by rates staff.	Core		4
R3	Recorded changes to property master file data are compared to authorised source documents or confirmed with ratepayers to ensure that they were input accurately. An audit trail is maintained for all changes.	Core		4
R3	Access to the Property master file is restricted to appropriately designated personnel, with significant changes to the Property master file approved by management.	Core		5
R4	Authorised officers verify all pensioner concession entitlement information provided annually by government departments.	Core		4

RECEIPTING

Risks

R1	Receipts are either inaccurately recorded or not recorded at all.
R2	Receipts are not deposited at the bank on a timely basis.

RISKS	Control	Control Type	CSA Importance	Weighting
R1,R2	Cash is stored securely at all times including the duration of the cash management process.	Core		5
R1	Officers who create debtors invoices do not have access to receipting payments and/or reversing receipt transactions.	Core		5





PAYROLL

Risks

R1	Payroll expense is inaccurately calculated.
R2	Payroll disbursements are made to incorrect or fictitious employees
R3	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.
R4	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.
R5	Voluntary and statutory payroll deductions are inaccurately processed
R6	Salary sacrifice transactions are inaccurately processed.
R7	Employees are terminated in breach of statutory and enterprise agreements.

RISKS	Control	Control Type	CSA Importance	Weighting
R1	Standard programmed formulae perform payroll calculations.	Core		5
R1, R3	Overtime hours worked and payments for such overtime are authorised by management for all eligible employees.	Core		5
R2	The transfer of the bank file should be restricted to authorised officers who are not be involved in the preparation of the pay run.	Core		5
R2	Payroll system generates exception reports detailing all payroll changes that are regularly reviewed by management who investigate & approve variances.	Core		5
R2	Employee records to include employment details and/or contract terms and conditions, authorisations for payroll deductions and leave entitlements.	Core		5
R2	Officers responsible for originating/preparing payroll disbursements are precluded from authorising transfer of same.	Core		5
R2	Employees made inactive in payroll records immediately upon termination. Termination report provided as supporting documentation with request for an EFT. Comparison of subsequent current employee listings made by independent person to verify correctness.	Core		5
R2	All employee deductions must be substantiated with documented approval provided by employee.	Core		5
R3	Total of payment summaries for the year is reconciled to general ledger and payroll.	Core		4
R3	Relevant staff are required to complete timesheets and/or leave forms, authorise them and have approved by the supervisor/manager.	Core		5
R4	Significant changes (supported by adequate audit trail) to the payroll master files approved by management.	Core		4
R4	All payroll suspense accounts are reconciled and reviewed by management or other supervisory personnel on a timely basis. Transactions recorded in the payroll suspense accounts are proper suspense items; other items are investigated and resolved in a timely manner.	Core		4
R5	Access to the payroll deduction listing is restricted to authorised officers.	Core		5
R6	All original salary sacrifice transactions must be approved by the relevant employee. Payroll staff must ensure that such approval has been obtained prior to processing transactions into the payroll system.	Core		5
R7	Establish employee termination policies and procedures, including statutory regulation and union requirements. Regularly review and update these policies and procedures.	Core		4





GENERAL LEDGER

Risks

R1	General Ledger does not contain accurate financial information
R2	Data contained within the General Ledger is permanently lost.

RISKS	Control	Control Type	CSA Importance	Weighting
R1, R2	All updates and changes to General Ledger programmes are authorised, tested and documented.	Core		5
R1, R2	Access to General Ledger maintenance is restricted to authorised personnel.	Core		5
R1	General Ledger reconciliations (including control and clearing accounts) are prepared on a regular basis; all reconciliations independently reviewed.	Core		4
R1	Manual journal entries recorded in the register are authorised by the officer preparing the journal and an independent reviewer.	Core		5
R1, R2	Off-site backup of data, program and documentation.	Core		4
R1	System does not allow posting of unbalanced journals.	Core		5
R1	Amendments to the structure of the General Ledger framework are approved by an authorised officer.	Core		5
R1, R2	General Ledger policies and procedures are appropriately created, updated & communicated to relevant personnel in the finance department.	Core		5
R2	Formal disaster recovery plan adopted by Council or Senior Executive.	Core		5



ACCOUNTS PAYABLE

Risks

R1	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all
R2	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all
R3	Disbursements are not authorised properly.
R4	Accounts are not paid on a timely basis
R5	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.

RISKS	Control	Control Type	CSA Importance	Weighting
R1, R2, R4	Statements received from suppliers are reconciled to the supplier accounts in the accounts payable subledger regularly and differences are investigated.	Core		4
R1	Invoices received are authorised and accompanied by appropriate supporting documentation.	Core		5
R1	Payments (Cheques and EFT's) are endorsed by authorised officers separate to the preparer who ensure that they are paid to the specified payee.	Core		5
R2	Access to the supplier master file is restricted to authorised officers.	Core		5
R2, R5	Separation of Accounts Payable and Procurement duties.	Core		5
R3	All disbursements must be approved by an authorised officer in accordance with relevant policies and/or Delegations of Authority.	Core		5
R3	Purchase Orders must be raised for the purchase of goods and services in line with the Council's Procurement policy or over a predetermined amount where applicable.	Core		5
R3	Individuals who authorise payment of suppliers are authorised officers who are independent of the processing of invoices.	Core		5
R4	Authorised officer to review aged payables listing on a predetermined basis and investigate where appropriate.	Core		5
R5	Recorded changes to the supplier master file are compared to authorised source documents to ensure that they were input accurately.	Core		5
R5	The accounts payable system and or supplier master file prevents users from making unauthorised adjustments to supplier accounts.	Core		5





DEBTORS

Risks

R1	Debtors are either inaccurately recorded or not recorded at all.
R2	Rebates and credit notes to debtors are either inaccurately recorded or not recorded at all
R3	An appropriate provision for doubtful debts is not recorded
R4	Debtors are either not collected on a timely basis or not collected at all
R5	The Debtors master file data does not remain pertinent.

RISKS	Control	Control Type	CSA Importance	Weighting
R1, R4	Debtor's reconciliation performed on a regular basis to the General Ledger and reviewed by an independent person.	Core		4
R1	Council maintains a Debt Collection Policy.	Core		5
R2, R3, R4	Management and/or Council review and approve all rebates, credit notes, bad debt write-offs and movements in the provision for doubtful debts, in accordance with delegations of authority and Local Government Act.	Core		5
R3, R4	Management reviews debtors ageing profile on a regular basis and investigates any outstanding items.	Core		4
R5	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by management for accuracy and on-going pertinence.	Core		5
R5	Recorded changes to debtor's master file data are compared to authorised source documents or confirmed with customers/ratepayers to ensure that they were input accurately.	Core		4

BANKING

Risks

R1	Banking transactions are either inaccurately recorded or not recorded at all.
R2	Fraud.

RISKS	Control	Control Type	CSA Importance	Weighting
R1, R2	Blank cheques and/or cheque-signing machine are adequately safeguarded.	Core		5
R1, R2	Access to EFT Banking system restricted to appropriately designated personnel.	Core		5
R1, R2	Bank reconciliations are performed on a predetermined basis and are reviewed by an authorised officer. Any identified discrepancies are investigated immediately.	Core		5
R1, R2	All cash held securely in safe/registers with access restricted to appropriately designated personnel.	Core		5
R2	Cash transfers between bank accounts and investment bodies are approved by authorised officer.	Core		5
R2	Procedures are in place to ensure that all cash collected is banked and properly recorded.	Core		5



**5.2 COMPARISON OF ACTUAL TO BUDGET FOR THE YEAR ENDING 30 JUNE 2021 –
REPORT NO. AR21/58235**

Committee:	Audit Committee
Meeting Date:	20 September 2021
Report No.:	AR21/58235
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Finance
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	Comparison to budget - the annual end of year financial audit includes a comparison of actual to budget for the previous financial year.
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. AR21/58235 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.



TYPE OF REPORT

Legislative

BACKGROUND

- 1. Legislation** - Pursuant to Section 10 of the Local Government (Financial Management) Regulations 2011:
(1) A council, council subsidiary or regional subsidiary must, by no later than 31 December in each year, prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the council, council subsidiary or regional subsidiary (as the case may be) for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.
(2) A council must also include in a report under subregulation (1) audited financial results for the previous 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.
- 2. Comparison To Adopted Budget** - The Budgeted Financial Statements Comparison as at 30 June 2021 (Attachment 1) reports the actual results compared to the original budget adopted by Council in June 2021.
- 3. Council's Adopted Annual Business Plan** - The budget adopted by Council in June 2021 had an operating deficit of (\$1.593) million and total comprehensive income of \$10,819 million.

PROPOSAL

STATEMENT OF COMPREHENSIVE INCOME:

Operating Revenue – \$50k or 0.2% higher than the adopted budget (favourable variance), including the following significant variances:

- 1. Statutory Charges \$312k Favourable Variance** - Higher than the adopted budget where the budgeted Development Assessment and Planning fees had been significantly reduced in the budget in consideration of the State Government E-Portal development.
- 2. User Charges (\$474k) Unfavourable Variance** - Mainly due to lower than budgeted landfill charges (\$0.3m) and lower rent and lease income resulting from extension of library café and coffee shop arrangement (\$0.1m), lower Waste Transfer Station (\$0.1m) partly as a result of the hard waste trial.
- 3. Grants (\$175k) Unfavourable Variance** - Lower than the adopted budget mainly due to timing of the Local Roads and Community Infrastructure (LRCI) Phase 1 grant (\$0.2m) where the budget had assumed that the project would be delivered in full with the total grant received.
- 4. Other Income \$394k Favourable Variance** – Mainly \$0.2m for revenue from land divisions, and \$0.1m other revenue from land transfers and WHS Best Practice award.

Operating Expenditure – (\$204k) or (0.6%) higher than the adopted budget (unfavourable variance) including the following key variances:

- 5. Depreciation (\$542k) Unfavourable Variance** - Mainly due to the impact of Buildings & structures and Infrastructure assets revaluation and asset lives change completed as part of the 2019/20 year-end.

Other:

- 6. Asset Disposals & Fair Value Adjustments (\$717k) Unfavourable Variance** – Following adjustments as a result of road renewal works.



7. **Amounts Received For New/Upgraded Assets (\$9,748k) Unfavourable Variance** – Is lower as a result of the timing of the delivery of the Wulanda project and associated grant funding in 2020/21.
8. **Gifted Assets \$1,230k Favourable Variance** – Not budgeted in 2020/21 with revenue resulting from land divisions (roads \$0.7m and footpaths and kerbing \$0.4m).

STATEMENT OF FINANCIAL POSITION:

The key variances to the adopted budget are as follows:

1. **Trade & Other Receivables** - The actual FY21 balance of \$4,181k is higher than the adopted budget mainly due to accrued revenue for Wulanda state and federal grants \$2.5m (where milestones were achieved, acquittals submitted and grant revenue not received as at 30 June).
2. **Infrastructure Property, Plant & Equipment** - Actual of \$263m is lower than budget mainly as a result of Wulanda timing changes and other capital works deferral/partial deferrals.
3. **Trade & Other Payables** - Actual FY21 balance is significantly higher than adopted budget due to a number of large invoices (\$2.6m) relating to the Wulanda project that were accrued for expenditure incurred in FY21.
4. **Borrowings (Current & Non-Current)** - Are lower than the adopted budget due to timing of the Wulanda project.
5. **Provisions (Current & Non-Current)** - Actual FY21 balance of \$7.1m is higher than the budget mainly due to increased employee entitlements.

KEY FINANCIAL INDICATORS:

City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021
Note 13 - FINANCIAL INDICATORS

2020		Actual 2021	Budget 2021	Var
-1.7%	Operating Surplus Ratio $\frac{\text{Operating Surplus}}{\text{Total Operating Income}}$	-5.2%	-4.8%	-0.4%
18%	Net Financial Liabilities Ratio $\frac{\text{Net Financial Liabilities}}{\text{Total Operating Income}}$	62%	94%	32.0%
105%	Asset Renewal Funding Ratio $\frac{\text{Net Outlays on Existing Assets}}{\text{Net Asset Renewals - IAMP}}$	84%	113%	-29.0%

1. **Operating Surplus Ratio (0.4%) Unfavourable Variance** - The operating surplus ratio of (5.2%) is (0.4%) unfavourable to budget driven by the variances detailed above.
2. **Net Financial Liabilities Ratio 32% Favourable Variance** - Mainly driven by the timing of the delivery of the Wulanda Recreation and Convention Centre project.
3. **Asset Renewal Funding Ratio (29%) Unfavourable Variance** - Mainly driven by the timing of the delivery of the renewals program with works brought forward from 2019/20 more than offset by deferrals and partial deferrals to 2021/22.



LEGAL IMPLICATIONS

N/A

STRATEGIC PLAN

N/A

COUNCIL POLICY

[A900 Asset Management Policy](#)

[B300 Budget Framework](#)

[R105 Rating Policy](#)

[T150 Treasury Management Policy](#)

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

Council's end of year results as shown in the audited financial statements indicate its ongoing financial position has been impacted by the timing of the Wulanda Recreation and Convention Centre project and depreciation.

Maintaining Council's position by working within annual and long term financial targets is crucial in accommodating the long term financial plan (which is currently being reviewed) of works and building capacity to achieve Council's long term strategic goals.

ATTACHMENTS

1. Variance Schedules - Financial Year-End 2020/21 [↓](#)



City of Mount Gambier
Statement of Comprehensive Income
for the year ended 30 June 2021

2020		Actual 2021	Budget 2021
\$'000		Ref	\$'000
	INCOME		
22,138	Rates		22,809
523	Statutory charges	1	309
5,318	User charges	2	5,354
4,227	Grants, subsidies and contributions	3	4,680
55	Investment income		-
38	Reimbursements		52
439	Other income	4	241
<u>32,738</u>	Total Income		<u>33,445</u>
	EXPENSES		
12,230	Employee costs		13,172
13,263	Materials, contracts & other expenses		14,254
7,625	Depreciation, amortisation & impairment	5	7,398
170	Finance costs		213
<u>33,288</u>	Total Expenses		<u>35,038</u>
<u>(550)</u>	OPERATING SURPLUS / (DEFICIT)		<u>(1,593)</u>
(472)	Asset disposal & fair value adjustments	6	(13)
-	Amounts received specifically for new or upgraded assets	7	12,425
737	Physical resources received free of charge	8	-
<u>(285)</u>	NET SURPLUS / (DEFICIT) (transferred to Equity Statement)		<u>10,819</u>
	Other Comprehensive Income		
	<i>Amounts which will not be reclassified subsequently to operating result</i>		
(327)	Impairment (expense) / recoupments offset to asset revaluation reserve		-
<u>(327)</u>	Total Other Comprehensive Income		<u>-</u>
<u>(612)</u>	TOTAL COMPREHENSIVE INCOME		<u>10,819</u>



City of Mount Gambier
Statement of Financial Position
as at 30 June 2021

2020 \$'000		Ref	Actual 2021 \$'000	Budget 2021 \$'000
	ASSETS			
	Current Assets			
4,406	Cash and cash equivalents		1,893	2,155
2,034	Trade & other receivables	1	4,181	1,861
55	Inventories		47	816
<u>6,495</u>	Total Current Assets		<u>6,121</u>	<u>4,832</u>
	Non-current Assets			
246,843	Infrastructure, property, plant & equipment	2	263,422	277,807
<u>246,843</u>	Total Non-current Assets		<u>263,422</u>	<u>277,807</u>
<u>253,338</u>	Total Assets		<u>269,543</u>	<u>282,639</u>
	LIABILITIES			
	Current Liabilities			
2,849	Trade & other payables	3	5,765	3,065
558	Borrowings	4	447	213
2,557	Provisions	5	3,013	2,457
<u>5,964</u>	Total Current Liabilities		<u>9,225</u>	<u>5,734</u>
	Non-current Liabilities			
2,189	Borrowings	4	13,502	21,952
3,863	Provisions	5	4,064	3,857
<u>6,052</u>	Total Non-current Liabilities		<u>17,566</u>	<u>25,809</u>
<u>12,016</u>	Total Liabilities		<u>26,791</u>	<u>31,543</u>
<u>241,322</u>	NET ASSETS		<u>242,752</u>	<u>251,096</u>
	EQUITY			
64,986	Accumulated Surplus		66,406	74,778
175,462	Asset Revaluation Reserves		175,462	175,458
874	Other Reserves		884	860
<u>241,322</u>	TOTAL EQUITY		<u>242,752</u>	<u>251,096</u>



City of Mount Gambier
Statement of Cash Flows
for the year ended 30 June 2021

2020 \$'000		Actual 2021 \$'000	Budget 2021 \$'000
	CASH FLOWS FROM OPERATING ACTIVITIES		
	<i>Receipts:</i>		
21,957	Rates - general & other	22,978	21,658
524	Fees & other charges	621	309
5,696	User charges	5,214	5,354
57	Investment receipts	26	-
4,227	Grants utilised for operating purposes	5,210	4,193
42	Reimbursements	66	52
1,002	Other revenues	3,517	241
	<i>Payments:</i>		
(11,915)	Employee costs	(13,005)	(12,736)
(14,293)	Materials, contracts & other expenses	(17,433)	(13,442)
(170)	Finance payments	(212)	(138)
7,127	Net Cash provided by (or used in) Operating Activities	6,982	5,491
	CASH FLOWS FROM INVESTING ACTIVITIES		
	<i>Receipts:</i>		
-	Amounts specifically for new or upgraded assets	555	12,912
385	Sale of replaced assets	393	506
72	Sale of surplus assets	-	-
18	Repayments of loans by community groups	-	-
	<i>Payments:</i>		
(5,627)	Expenditure on renewal/replacement of assets	(5,326)	(8,245)
(3,813)	Expenditure on new/upgraded assets	(16,298)	(29,639)
(8,965)	Net Cash provided by (or used in) Investing Activities	(20,676)	(24,466)
	CASH FLOWS FROM FINANCING ACTIVITIES		
	<i>Receipts:</i>		
-	Proceeds from borrowings	11,550	20,000
	<i>Payments:</i>		
175	Repayments of borrowings	(206)	(213)
-	Repayment of principal portion of lease liabilities	(163)	-
175	Net Cash provided by (or used in) Financing Activities	11,181	19,787
(1,663)	Net Increase (Decrease) in cash held	(2,513)	812
6,069	Cash & cash equivalents at beginning of period	4,406	1,343
4,406	Cash & cash equivalents at end of period	1,893	2,155



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021
Note 13 - FINANCIAL INDICATORS

2020		Actual 2021	Budget 2021	Var
	Operating Surplus Ratio			
-1.7%	<u>Operating Surplus</u> Total Operating Income	-5.2%	-4.8%	-0.4%
	Net Financial Liabilities Ratio			
18%	<u>Net Financial Liabilities</u> Total Operating Income	62%	94%	32.0%
	Asset Renewal Funding Ratio			
105%	<u>Net Outlays on Existing Assets</u> Net Asset Renewals - IAMP	84%	113%	-29.0%



City of Mount Gambier
Notes to and forming part of the Financial Statements
for the year ended 30 June 2021

Note 14 - UNIFORM PRESENTATION OF FINANCES

2020 \$'000		Actual 2021 \$'000	Budget 2021 \$'000
524	Income	33,495	33,445
(33,288)	Expenses	(35,242)	(35,038)
<u>(550)</u>	Operating Surplus / (Deficit)	<u>(1,747)</u>	<u>(1,593)</u>
	Net Outlays on Existing Assets		
(5,627)	Capital Expenditure on renewal and replacement of Existing Assets	(5,326)	(8,245)
7,625	Add back Depreciation, Amortisation and Impairment	7,940	7,398
<u>385</u>	Proceeds from Sale of Replaced Assets	<u>393</u>	<u>506</u>
2,383		3,007	(340)
	Net Outlays on New and Upgraded Assets		
(3,813)	Capital Expenditure on New and Upgraded Assets <i>(including investment property & real estate developments)</i>	(16,298)	(29,639)
-	Amounts received specifically for New and Upgraded Assets	555	12,912
72	Proceeds from Sale of Surplus Assets <i>(including investment property and real estate developments)</i>		-
<u>(3,741)</u>		<u>(15,743)</u>	<u>(16,727)</u>
<u>(1,908)</u>	Net Lending / (Borrowing) for Financial Year	<u>(14,483)</u>	<u>(18,660)</u>



**5.3 REVIEW OF DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE –
REPORT NO. AR21/58970**

Committee:	Audit Committee
Meeting Date:	20 September 2021
Report No.:	AR21/58970
CM9 Reference:	AF11/863
Author:	Darren Barber, General Manager Shared Services
Authoriser:	Sarah Philpott, Chief Executive Officer
Summary:	This report is presented to enable the Audit Committee to review the Draft Audit and Risk Committee Terms of Reference.
Strategic Plan Reference:	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

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.



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 12 April 2021 and adopted at the Council meeting held on 20 April 2021.

The Draft Terms of Reference includes significant changes for the committees consideration, therefore the document is presented as a first draft. These changes will assist the committee in the transition to an Audit and Risk Committee as prescribed in the new Local Government Act Statues Amendment (Local Government Review) Act 2021.

PROPOSAL

The new Local Government Act Statues 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.

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.

The Draft Terms of Reference of the Audit and Risk Committee are presented for comment and review. This will provide the committee with time to access and alter the terms of reference in preparation for adoption at the next scheduled meeting.

The Committee may consider recommending to Council for endorsement the updated terms of reference after this review process has completed and the final draft has been endorsed by the committee.

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

Nil

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

Nil

CONCLUSION AND RECOMMENDATION

This report recommends that the Audit Committee consider its draft terms of reference with the intent of developing a final draft for adoption at the next scheduled Audit Committee meeting.

ATTACHMENTS

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



FIRST DRAFT FOR REVIEW AND DISCUSSION



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



Audit and Risk Committee

The functions of the Audit and Risk 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

DRAFT



Audit and Risk Committee

CONTENTS

1	NAME	1
2	INTERPRETATION	1
3	AUTHORITY	2
4	MEMBERSHIP / COMPOSITION	2
5	INDEPENDENT MEMBERS	3
6	COMMITTEE CHAIRPERSON	4
7	COUNCIL MEMBERS	4
8	REMUNERATION OF INDEPENDENT MEMBERS	4
9	ADMINISTRATIVE RESOURCES	4
10	QUORUM	4
11	MEETINGS OF THE COMMITTEE	5
12	PROCEDURES AT MEETINGS	5
13	DELEGATION	5
14	MINUTES OF THE COMMITTEE	6
15	ROLE OF THE COMMITTEE	6
16	REPORTING RESPONSIBILITIES	9
17	COMMITTEE REQUIREMENTS	9
18	GENERAL PROVISIONS	9
19	AMENDMENTS TO TERMS OF REFERENCE	10
20	INTERPRETATION OF TERMS OF REFERENCE	10
21	CONFLICT OF INTEREST	10
22	CONFIDENTIALITY	11
23	INSURANCE	11
24	PERFORMANCE	11
25	RESPONSIBILITIES	11
26	COMPLIANCE AND ETHICS	13
27	FRAUD PREVENTION AND RISK MANAGEMENT	13
28	OTHER MATTERS	13
29	REPORTING TO COUNCIL	13 14
30	ANNUAL WORK PROGRAM	14
31	REVIEW OF THE AUDIT AND RISK COMMITTEE CHARTER	14
	Appendix: Most recent sitting fees	14



1 NAME

- 1.1 The name of the Council Committee shall be the Audit [and Risk](#) 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 [54](#).
- 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 [and Risk](#) Committee
PO Box 56
MOUNT GAMBIER SA 5290
Email: city@mountgambier.sa.gov.au



3 OBJECTIVES AUTHORITY

- 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.
- 3.2 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 Therefore, the Committee does not have any management function and is independent to management.
- 3.4 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) meet privately, without the attendance of management;
 - (f) 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 Members of the Committee are appointed by Council.
- 4.2 The Chief Executive Officer (CEO) and the General Manager Shared Services (GMSS) are not members of the Committee, but should attend meetings in an advisory capacity.
- 4.3 The Committee will consist of at least one two independent members 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.
- 4.4 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.



- 4.5 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.
- 4.6 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.
- 4.7 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.
- 4.8 Resignation of appointment must be in writing.
- 4.9 Members of the Committee, including the Presiding Member are appointed by Council.

5 INDEPENDENT MEMBERS

- 5.1 Independent members are defined as external members who are neither Councillors or a member of Council staff, as outlined in section 126(2) of the Act.
- 5.2 The appointment of external independent members shall be made by Council resolution following public advertisement in the local newspaper and Council website.
- 5.3 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 The applications for membership will be assessed against criteria including, but not limited to:
 - (a) level and breadth of senior business, management, finance and accounting and/ or audit experience and qualifications;
 - (b) level of familiarity in relation to local government operations, financial reporting and auditing requirements, risk management, corporate governance; and
 - (c) previous Audit and Risk Committee experience.
- 5.5 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 COMMITTEE CHAIRPERSON

- 6.1 The Chairperson of the Committee must be appointed by Council resolution and be an independent member. The Chairperson will be appointed for two years.
- 6.2 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.
- 6.3 The Chairperson of the Committee shall have a casting vote on occasions where there is an equal number of votes on a matter.
- 6.4 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.

7 COUNCIL MEMBERS

- 7.1 The Council members of the Committee shall be appointed by Council at its Statutory Meeting, unless otherwise determined by the Chairperson of the Committee.

8 REMUNERATION OF INDEPENDENT MEMBERS

- 8.1 Remuneration paid to independent members will be a set fee per meeting with an additional amount paid to the Chairperson.
- 8.2 Travelling costs will also be reimbursed.

59 ADMINISTRATIVE RESOURCES

- 5.19.1 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.

610 QUORUM

- 6.110.1 At all Meetings of the Committee a quorum must be present.
- 6.210.2 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.



|

7.11 MEETINGS OF THE COMMITTEE

7.11.1 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.

7.211.2 No business shall be transacted at any meeting of the Committee unless a quorum of Members is present.

7.311.3 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.

7.411.4 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.

7.511.5 Each Member of the Committee including the Presiding Member present at any meeting of the Committee shall have one deliberate vote only.

8.12 PROCEDURES AT MEETINGS

8.12.1 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.

8.212.2 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.

9.13 DELEGATION

9.13.1 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.



4014 MINUTES OF THE COMMITTEE

- 40.114.1** The CEO or his appointee must cause minutes to be kept of the proceedings of the Committee.
- 40.214.2** Minutes of the Committee shall be available to all Members of the Committee, Council and the public.
- 40.314.3** The Minutes of the proceedings of a meeting are to comply with the requirements of the Act.
- 40.414.4** 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.
- 40.514.5** 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.

4115 ROLE OF THE COMMITTEE

41.115.1 Financial reporting and management

The Committee shall:

- 41.1.115.1.1** 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.
- 41.1.215.1.2** Review and challenge where necessary:
- 41.1.2.115.1.2.1** The consistency of, and/or any changes to accounting policies.
 - 41.1.2.215.1.2.2** The methods used to account for significant or unusual transactions where different approaches are possible.
 - 41.1.2.315.1.2.3** The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditors.
 - 41.1.2.415.1.2.4** The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
 - 41.1.2.515.1.2.5** 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).

~~**41.1.3** Monitor the budgeting process and the process of review of actuals versus budget.~~

~~**41.1.415.1.3** Monitor that budgets are aligned to the Strategic Management Plans.~~

41.215.2 Internal Controls and Risk Management Systems



The Committee shall:

11.2.115.2.1 Monitor the effectiveness of the Council's internal controls and risk management systems; and

11.2.215.2.2 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.

11.315.3 Public Interest Disclosure Act

The Committee shall

11.3.115.3.1 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.

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

The Committee shall:

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

11.4.215.4.2 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.

11.4.315.4.3 Review all reports on the Council's operations from the [external-internal](#) auditors.

11.4.415.4.4 Review and monitor management's responsiveness to the findings and recommendations of the [external-internal](#) auditors; and

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

11.515.5 External audit

The Committee shall:

11.5.115.5.1 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.

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

11.5.315.5.3 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.



|

- 11.5.415.5.4 ___ Oversee Council's relationship with the external auditors including, but not limited to:
- 11.5.4.115.5.4.1 15.5.4.1 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.
 - 11.5.4.215.5.4.2 15.5.4.2 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.
 - 11.5.4.315.5.4.3 15.5.4.3 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.
 - 11.5.4.415.5.4.4 15.5.4.4 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).
 - 11.5.4.515.5.4.5 15.5.4.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners, and
 - 11.5.4.615.5.4.6 15.5.4.6 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).
 - 11.5.4.715.5.4.7 15.5.4.7 Action(s) to follow up on matters raised by the external auditors.
- 11.5.515.5.5 ___ 15.5.5 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.
- 11.5.615.5.6 ___ 15.5.6 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
- 11.5.715.5.7 ___ 15.5.7 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.



11.5.815.5.8 The Committee shall also review the overall effectiveness of the external auditor.

11.5.915.5.9 Review any representation letter(s) requested by the auditor before they are signed by management.

11.5.1015.5.10 Review the management letter and management's response to the external auditor's findings and recommendations.

12.16 REPORTING RESPONSIBILITIES

12.116.1 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.

12.216.2 The Committee will provide an Annual Self Assessment Report to Council by the Presiding Member of the Audit and Risk Committee, aligned with the Council's financial year.

13.17 COMMITTEE REQUIREMENTS

13.117.1 The Committee shall:

13.1.117.1.1 Have access to reasonable resources in order to carry out its duties.

13.1.217.1.2 Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members.

13.1.317.1.3 Give due consideration to laws and regulations of the Local Government Act, 1999, including all amendments and revisions.

13.1.417.1.4 Oversee any investigation of activities within these Terms of Reference.

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

13.1.617.1.6 At least once every two years review its terms of reference.

13.217.2 Sitting Fees for Audit and Risk Committee Members are set by Council. (The most recent sitting fees approved by Council are attached in the appendix.)

18 GENERAL PROVISIONS

18.1 Additional meetings shall be convened at the discretion of the Presiding Member or at the written request of a Committee member, the CEO or the internal or external auditors.

18.2 The agenda and supporting documentation will be circulated to members of the Committee at least five days in advance of each meeting.

18.3 The Presiding Member 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.

18.4 The following requirements shall apply to all meetings of the Committee:

(a) only Committee members are entitled to attend and vote at meetings;



- (b) other Councillors may attend meetings in an observation capacity only;
- (c) the CEO, DCCS, Manager Finance or their delegates must attend meetings of the Committee, other than those meetings or parts of Committee meetings which are deemed to be closed to management;
- (d) the Committee may invite, or require any persons to attend meetings, as it deems necessary;
- (e) the Internal Auditor should attend all meetings where internal audit reports are presented or as requested by the Committee;
- (f) the External Auditor should attend the meeting when the annual financial accounts and external audit management reports are considered or as requested by the Committee;
- (g) the External Auditor shall be offered the opportunity to meet in camera to discuss any aspects of the external audit; and
- (h) the Committee will meet at least once annually with the external and internal auditors (separately) without management present

1419 AMENDMENTS TO TERMS OF REFERENCE

- 14.119.1 It will be lawful for the Council by resolution to revoke, vary or add to any of the provisions of these Terms of Reference at its own discretion within the parameters of the Act and any other relevant legislation.
- 14.219.2 At least once every two years the Committee reviews its terms of reference.
- 14.319.3 Notwithstanding 19.144.1 hereof before the Council resolves to revoke, vary or add to any of the provisions of these Terms of Reference it may, but will be under no obligation, to obtain the opinion of the Committee.

14520 INTERPRETATION OF TERMS OF REFERENCE

- 20.1 Should there be any dispute as to the definition and/or interpretation of these Terms of Reference, or any part thereof or any irregularities whatsoever that are unable to be resolved by the Presiding Member then the Council shall determine the dispute and the decision of the Council shall be final and binding.

21 CONFLICT OF INTEREST

- 15.121.1 In accordance with Sections 73 - 75B of the Local Government Act 1999, members of the Committee will be required to disclose all conflicts of interest as and when they arise.
- 15.221.2 Each independent member of the Committee is required to lodge a declaration of interest form on a bi-annual basis and declare any interest at the commencement of each meeting and prior to the consideration of the item at the meeting.



4622 CONFIDENTIALITY

46.122.1 Pursuant to Section 90 of the Local Government Act 1999, 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 the City of Mount Gambier.

4723 INSURANCE

47.123.1 Members of the Committee will be covered by Council's insurance policies while engaged in the business of the Committee.

4824 PERFORMANCE

48.124.1 The Committee will undertake annual assessment of its performance against the charter and provide to the CEO for tabling at the next Council meeting.

4925 RESPONSIBILITIES

49.125.1 The Committee will carry out the following responsibilities:

49.1.125.1.1 Financial and Performance reporting

- (a) Review Council's financial position, via the receipt of Council's Standard Statements and other Quarterly or Monthly Financial Management reports as presented to Council.
- (b) Report to Council on any material issues which have not previously been reported or actioned.
- (c) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements and understand the subsequent impact on financial reports.
- (d) Review the annual financial and performance statements prior to their approval by Council and determine whether they are complete and consistent with the information known to the Committee members.
- (e) Assess whether the financial and performance statements reflect appropriate policies and comply with all relevant standards and regulatory requirements
- (f) Recommend the adoption of the Annual Financial Statements incorporating the Annual Performance Statements to Council (and review any significant changes and the reasons for the changes that may arise subsequent to such recommendation but before the Statements are signed).
- (g) Review with management and the external auditors all matters required to be communicated to the Committee under the Australian Auditing Standards.
- (h) Review any litigation, claim or contingency which could have a material effect on Council's financial position or operating result.



|

19.1.225.1.2 External audit

- (a) Review Council's draft Annual Financial Statement with the External Auditor, focusing on:
 - 1. Accounting policies and Approved Accounting Standards;
 - 2. Changes to accounting policies and Approved Accounting Standards;
 - 3. Significant adjustments to the financial statements (if any) arising from the audit process;
 - 4. Compliance with accounting standards and other reporting requirements of financial and non-financial information; and
 - 5. Significant variances with explanations from prior years.
- (b) Review Council's draft Performance Statement with the External Auditor and consider the results in the context of the quarterly reports received throughout the year and challenge any unusual or unexpected results.
- (c) Discuss and review with the external auditor, issues arising from the audit including all Management Letters issued by the auditor for completeness and appropriateness.
- (d) Ensure findings and recommendations made by the external auditor and management's proposed responses are received, discussed and appropriately acted upon.
- (e) Meet separately with the external auditor to discuss any matters that the Committee or auditor believe should be discussed privately.

19.1.325.1.3 Internal audit

- (a) Monitor the effectiveness of the internal audit function on an ongoing basis.
- (b) Review the strategic three year and annual plan of the Internal Auditor to ensure that it takes into consideration the risk profile of Council.
- (c) Review the scope of the internal audit plan and the effectiveness of the function, evaluating whether the plan addresses the following issues:
 - 1. Effectiveness of internal controls over significant areas of risk, including non- financial management control systems;
 - 2. Effectiveness of internal controls over key processes relating to revenue, expenditure, assets and liabilities;
 - 3. Efficiency and effectiveness of significant Council programmes; and
 - 4. Compliance with legislation, policies, best practice guidelines and contractual arrangements.
- (d) Prior to audits being undertaken, receive, review and approve the scope of work for each proposed audit.
- (e) Ensure the significant findings and recommendations made by the Internal Auditor, and management's proposed responses are received, discussed and appropriately acted upon.



- (f) Meet with the Internal Auditor annually or as required to consider any matters that the Committee or Internal Auditor should discuss privately.
- ~~(g)~~ Review on an annual basis the performance of the Internal Auditor, and where performance is not considered satisfactory, discuss with Council and management any proposal to undertake a tender process for the appointment of a new Internal Auditor.

26 COMPLIANCE AND ETHICS

- 26.1 Consider the effectiveness of the systems and processes for monitoring compliance with legislation and regulations.
- 26.2 Obtain regular updates from management about compliance and non-compliance matters of material significance pertaining to ethical, statutory, related party and legal issues.
- 26.3 Keep informed of the findings of any examination by regulatory agencies and monitor managements response to such findings.

27 FRAUD PREVENTION AND RISK MANAGEMENT

- 27.1 Monitor the effectiveness of the organisations fraud prevention policies.
- 27.2 Identify and refer specific projects or investigations deemed necessary through Council's CEO, the Internal Auditor and Council.
- 27.3 Consider any subsequent investigation, including the investigation of any suspected cases of fraud.
- 27.4 Review internal controls over revenue, expenditure, assets and liability processes; and over significant areas of risk including non-financial management control systems.
- 27.5 Monitor the risk exposure of Council by determining if management has appropriate risk management processes and adequate management information systems.
- 27.6 Review Council's Risk Management Policy and Framework and risk profile.
- 27.7 Monitor the process of review of Council's risk profile to ensure that material risks are dealt with appropriately.
- 27.8 Receive status reports on a regular basis of the risk register and actions being taken to manage identified risks.
- 27.9 Monitor the effectiveness of Council's business continuity processes and practices.

28 OTHER MATTERS

- 28.1 Consider the findings and recommendations of relevant audits undertaken by the [SA Auditor-General's Office](#), the [South Australia Ombudsman](#), [Independent Commissioner Against Corruption \(ICAC\)](#) and other agencies and to ensure Council considers the relevant recommendations.
- 28.2 Enquire as to the internal control framework and level of assurance received around the accuracy and completeness of the annual performance information reported.
- 28.3 Perform other activities related to this [Terms of Reference](#) as requested by Council.

29 REPORTING TO COUNCIL



29.1 The Committee must prepare a biannual report to Council describing the activities of the Committee and include its findings and recommendations.

29.2 The biannual report of the Committee will be provided to the CEO for tabling at the next Council meeting.

29.3 The Committee Charter and details of its members will be published on Council's website.

30 ANNUAL WORK PROGRAM

30.1 The Committee must adopt an annual work program.

31 REVIEW OF THE AUDIT AND RISK COMMITTEE CHARTER

31.1 The Committee will review the Committee Charter at least once every two years and recommend changes to Council for approval.

31.2 This Charter is scheduled to be reviewed prior to XXXXX.

Appendix: Most recent sitting fees

At the Committee meeting of 14 December the following sitting fees were presented to the Committee, and these were adopted by Council on 19 January 2021:

- (a) The sitting fees for the ordinary meetings of the Audit Committee be:
 - 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:
 - iii. Independent Presiding Member \$200.00
 - iv. Other Independent Members \$100.00

Previous Amendments:

19 January 2021



5.4 LOCAL GOVERNMENT ACT 2021 CHANGES – REPORT NO. AR21/58959

Committee:	Audit Committee
Meeting Date:	20 September 2021
Report No.:	AR21/58959
CM9 Reference:	AF11/863
Author:	Michael McCarthy, Manager Governance and Property
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	This report provides a brief summary update on changes to the Local Government Act 1999.
Strategic Plan Reference:	Goal 5: Our Commitment

REPORT RECOMMENDATION

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



TYPE OF REPORT

Corporate

BACKGROUND

In July 2021 Council considered Report No. AR21/39261 noting that the [Statutes Amendment \(Local Government Review\) Act 2021](#) was passed by both Houses of Parliament on 10 June 2021 and received Governors assent on 17 June 2021.

The changes comprises a most significant change to local government legislation since the commencement of the [Local Government Act 1999](#) with commencement of initial changes expected in August 2021 and subsequent changes from November 2021 and in the 2022, 2023 and 2024 years.

PROPOSAL

Report No. AR21/55283 attached to the 21 September 2021 Council agenda provides an update on the immediate reforms and anticipates the proclamation of the commencement of initial changes in the SA Government Gazette on 16 September 2021, with the first tranche to take effect from Monday 20 September 2021. At the time of writing and finalising agenda items this proclamation had not yet been confirmed.

A copy of Report AR21/55283 is attached for Audit Committee Members information (Attachment 1).

LEGAL IMPLICATIONS

Refer Report AR21/55283 (Attachment 1).

STRATEGIC PLAN

N/A

COUNCIL POLICY

Refer Report AR21/55283 (Attachment 1)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

Refer Report AR21/55283 (Attachment 1).

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

Refer Report AR21/55283 (Attachment 1).

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A



ENGAGEMENT AND COMMUNICATION STRATEGY

Refer Report AR21/55283 (Attachment 1).

IMPLEMENTATION STRATEGY

Refer Report AR21/55283 (Attachment 1).

CONCLUSION AND RECOMMENDATION

Further reports will be provided to Council, and Audit Committee (if/as necessary), to provide updates on relevant aspects of the legislative changes as they progress over the coming year.

ATTACHMENTS

1. Council Report No. AR21/55283 - Local Government Reform - Update [↓](#)



City of Mount Gambier
Ordinary Council Meeting Agenda

21 September 2021

23.6 LOCAL GOVERNMENT REFORM - UPDATE – REPORT NO. AR21/55283

Committee: Council
Meeting Date: 21 September 2021
Report No.: AR21/55283
CM9 Reference: AF20/446
Author: Michael McCarthy, Manager Governance and Property
Authoriser: Darren Barber, General Manager Shared Services
Summary: This report provides an update on the commencement of initial local government reforms arising from the Statutes Amendment (Local Government Review) Act 2021.
Strategic Plan Reference: Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Council Report No. AR21/55283 titled 'Local Government Reform - Update' as presented on 21 September 2021 be noted.



TYPE OF REPORT

Legislative

BACKGROUND

At the meeting held on 20 July 2021 Council noted the potential resource implications associated with the implantation of legislative changes arising from the commencement of provisions of the Statutes Amendment (Local Government Review) Act 2021.

This report provides an update on the commencement dates of the initial tranche of changes.

PROPOSAL

The Office of Local Government have indicated that a proclamation is to occur in September with provisions to commence immediately being largely matter where Council will not need to take specific action to update documents, policies or provide training, and provisions that are to commence on 10 November 2021 that will relate to Local Government (Elections) Act changes.

It is anticipated that the proclamation of changes will be on Thursday 16 September 2021 with certain provisions to commence on Monday 20 September 2021.

To support the reform changes the Local Government Association has developed a resource webpage. This webpage can be accessed with a Local Government Association website login.

<https://www.lga.sa.gov.au/member-services/lg-sector/local-government-reform>

Content on this webpage is currently set out under the following headings:

- Commencement timelines and LGA Resources
 - including marked-up copies of relevant legislation and a search function to look-up provisions proposed to commence in September and November 2021.
- Latest News on LG Reform
- Current consultations on LG Reform
- Training opportunities
- LG Reform Resources
 - Including Information Sheets on particular reforms

The following changes to sections 3, 7 and 8 that relate to the objects of the Local Government Act 1999, the functions of a Council and the principles to be observed by a Council may be of particular interest to Members:

Insertion to section 3(f):

*"to encourage local government to provide appropriate services and facilities to meet the present and future needs of local communities **and to provide for appropriate financial contributions by ratepayers to those services and facilities"***

Insertion of section 7(ba)

"to determine the appropriate financial contribution to be made by ratepayers to the resources of the council;"

Amendment of section 8(ea)

*"seek to collaborate and form partnerships, **form partnerships and share resources** with other councils and regional bodies for the purposes of delivering cost-effective services (while avoiding cost-shifting among councils), integrated planning, maintaining local representation of communities and facilitating community benefit;"*

Insertion to section 8(h)

*"seek to ensure that council resources are used fairly, effectively and efficiently **and council services, facilities and programs are provided effectively and efficiently;"***



Insertion of sections 8(ia)

“seek to balance the provision of services, facilities and programs with the financial impact of the provision of those services, facilities and programs on ratepayers;”

The changes commencing in September are also proposed to include:

- Amendment of subsection 54(1)(k) to include an order of SACAT (in addition to an order of a court) as a ground for a casual vacancy.
- Replacement of section 80A relating to Member Training and Development Policy.
- Insertion of section 85(2) in relation to quorum where a Member is suspended, or taken to have been granted a leave of absence under (yet to commence) section 55A.
- Insertion of a new subsection 90(3)(o) ground for excluding the public from attendance at a meeting for information relating to a proposed award recipient.
- Insertion of new section 90A relating to Information or Briefing Sessions.
- Insertion of new section 99A relating to the remuneration of Chief Executive Officer.
(Noting: section 99A does not apply until the Remuneration Tribunal makes its first determination and does not apply to remuneration of a CEO holding office at the commencement of that section during the term of that office)
- Removal of sections 222(1a), 224A, 225A and 225B relating to mobile food vending businesses.
(Noting: Council may still grant permits to mobile food vendors.)
- Substitution of regulation 8AB relating to Information or Briefing Sessions.
- Amendment of regulation 12(2) of the Procedures at Meetings Regulations to increase the number of clear days a Notice of Motion must be given in writing to the Chief Executive Officer before a meeting from 5 days to 7 days.

Further information will be provided to Members on the practical application of relevant changes in due course.

LEGAL IMPLICATIONS

As commencing changes to the legislation governing local government Council and the Administration are obliged to comply with the commencing provisions.

It should be noted that further legislative changes are expected to commence in November 2021, next year prior to and in conjunction with the November 2022 local government elections, and in the 2023 and 2024 years.

STRATEGIC PLAN

N/A

COUNCIL POLICY

No immediate changes to Council policies are anticipated as a result of the current tranche of legislative changes, however minor unexpected amendments are expected to arise as changes are implemented and policies are periodically reviewed.

The further changes expected in 2022 will include policy changes including potential community engagement, hence the deferral of the commencement dates for such changes.

ECONOMIC IMPLICATIONS

N/A



ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

The administration will review any resource implications associated with implementing the various legislative changes over the coming weeks and months.

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

The administration will review the risk implications associated with implementing the various legislative changes over the coming weeks and months.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

No external engagement or communication requirements have been identified with this first round of legislative changes, however engagement may be anticipated in relation to policy requirements arising from further changes to commence in November 2021 and in 2022/2023.

IMPLEMENTATION STRATEGY

The Local Government Association LG Equip program includes resources to support the transition to the amended legislative regime, which will be progressed in the coming weeks and months and into 2022 and 2023.

CONCLUSION AND RECOMMENDATION

This report presents the current round of legislative changes that are anticipated to commence from 20 September 2021. Members should review the changes that directly impact elected members and engage with any information and training opportunities that arise in the coming weeks, months and into the 2022/2023 years.

ATTACHMENTS

Nil



5.5 RISK REPORT – REPORT NO. AR21/58960

Committee:	Audit Committee
Meeting Date:	20 September 2021
Report No.:	AR21/58960
CM9 Reference:	AF11/863
Author:	Tegan McPherson, Manager Organisational Development
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	This report provides a summary of actions undertaken by Council over the past twelve months to improve Risk Management Systems. It also describes the requirements of the Risk Evaluation process which will be conducted by Local Government Risk Services in November 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. AR21/58960 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.



TYPE OF REPORT

Other

BACKGROUND

Local Government Risk Services (LGRS) are a business partner of the Local Government Association and administer the Mutual Liability Scheme and Workers Compensation for South Australian Councils.

LGRS provide specialist risk services to City of Mount Gambier including the development and implementation of proactive systems and processes for Risk Management, claims management and insurance risk transfer.

Every two years the LGRS provide a Risk Evaluation service to review the Councils Risk Management system against Local Government Sector baselines and other external requirements such as legislation, Return to Work South Australia Performance Standards and Self-Insurer requirements.

This review process provides an opportunity for Council to identify improvements in Risk Management systems and processes.

Council will incorporate the findings from the review process into a Risk Management Action Plan which will set our priorities in this area for the next two years.

The Risk Evaluation process will commence in October where Council will be required to submit detailed evidence of the processes and documentation we have in place. Then, an on-site visit will be conducted in November from the 9-11th where LGRS will test the evidence that has been provided.

Risk Management at City of Mount Gambier

The previous Risk Management Evaluation was conducted in September 2018. There was no evaluation completed in 2020 due to COVID-19, which is why it has been scheduled for this year.

The key actions and areas for improvement identified from the 2018 Risk Management Evaluation included;

1. The ongoing development of Council's Risk Register to ensure it was adequately populated with all Council Risks (including non-financial) and to ensure an effective monitoring framework was in place to demonstrate controls were being reviewed regularly for their effectiveness and appropriateness.
2. Council could not demonstrate accurately the top three operational risk in order of priority.

Council has made a commitment to the improvement of its Risk Management processes by developing a Risk Management Framework that incorporates and defines responsibilities of Officers, Reporting Requirements, and an Annual Risk Review Process.

In addition, the implementation of a Governance software package, RelianSys, will ensure risk monitoring will occur systematically and any legislative updates that relate to Council's current risks will prompt review.

Since the previous evaluation, Council has also been working on 2020-2021 Risk Management Action Plan which is regularly reported on to LGRS. This plan consisted of fourteen actions, of which seven have been completed and a further three to be completed by the end of September.



The completed actions relate to:

- Workshops and training for staff in Risk Management,
- Testing and amendments of Council's Business Continuity Response Plan,
- Development and adoption of City of Mount Gambier's Council Ready Program for emergency response and subsequent training of employees in support functions in the event of an emergency response, with more training planned for 2021-2022,
- Development of the Risk Management Framework and investigation and testing of Governance Software as outlined above.

In preparation for the upcoming Risk Evaluation, Council has developed an internal risk reporting tool and requested all People Leaders identify their top five operational risks in preparation for an Executive Management Risk Workshop scheduled for 29 September 2021. This workshop will inform our first annual review and update of Council's Risk Register.

In addition, the Organisational Development team has also commenced some desktop auditing to ensure the official audit is completed in an organised and efficient manner.

A project submission with action plan, timeframes and identification of key stakeholders has been developed by the Manager Organisational Development to assist with meeting the preparation requirements for the evaluation process.

Risk Evaluation 2021

During the Risk Evaluation process there are three mandatory areas defined by LGRS and two electives that Council can nominate. These areas are evaluated against Local Government Sector baselines.

Mandatory areas for evaluation for 2021 include:

- Council's Risk Management System,
- Roads and Footpaths, and
- Procurement and Contract.

Council will then identify two elective areas from the following:

- Playgrounds,
- Event Management,
- Volunteers,
- Tree Management,
- Customer Requests and Complaints, and
- Emergency Management.

Council's Organisational Development team will lead the coordination of the Risk Evaluation with the support of subject matter experts across the organisation and the General Manager Shared Services.

Next Steps/Outcome

Following the November Risk Evaluation, Council will receive a draft report from LGRS which allows for Council to provide comment and feedback prior to official findings. The official report is expected to be received by Council in December 2021.

The 2022 Risk Management Action Planning process will commence upon receipt of the Final report where actions have been identified. This process is completed in conjunction with the LGRS to ensure Council adequately addresses the opportunities for improvement.



A presentation highlighting the success and opportunities for improvement following the November Risk Evaluation will be provided to the Audit Risk Committee in February 2022.

PROPOSAL

That Council Audit Committee receives further Risk Audit Report in February following November Risk Management Evaluation detailing findings and that Council provide the Audit Committee with regular reporting on Council's Risk Management Action Plan as part of the Risk Management Framework.

LEGAL IMPLICATIONS

Section 125 of the Local Government Act 1999 ('LG Act') requires Council to ensure that appropriate policies practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.

Section 132A of the LG Act requires Council to ensure that appropriate policies, practices and procedures are implemented and maintained in order to ensure compliance with statutory requirements and achieve and maintain standards of good public administration.

Section 134(4) (b) of the LG Act requires Council to adopt risk management policies

STRATEGIC PLAN

Nil

COUNCIL POLICY

The Risk Management Framework will support Council Policy – Risk Management

ECONOMIC IMPLICATIONS

Nil

ENVIRONMENTAL IMPLICATIONS

Nil

SOCIAL IMPLICATIONS

Nil

CULTURAL IMPLICATIONS

Nil

RESOURCE IMPLICATIONS

Nil

VALUE FOR MONEY

Nil

RISK IMPLICATIONS

Participating the November Risk Evaluation conducted by LGRS is a requirement of being a member of the Scheme. As previously indicated, it is also a legislative requirement for Council to adopt and regularly monitor its risks through effective policies, procedures and frameworks.

EQUALITIES AND DIVERSITY IMPLICATIONS

Nil

ENGAGEMENT AND COMMUNICATION STRATEGY

Nil



IMPLEMENTATION STRATEGY

Following the November Risk Evaluation, Council will receive a draft report from LGRS which allows for Council to provide comment and feedback prior to official findings. The official report is expected to be received by Council in December 2021.

The 2022 Risk Management Action Planning process will commence upon receipt of the Final report where actions have been identified. This process is completed in conjunction with the LGRS to ensure Council adequately addresses the opportunities for improvement.

A presentation highlighting the success and opportunities for improvement following the November Risk Evaluation will be provided to the Audit Risk Committee in February 2022.

CONCLUSION AND RECOMMENDATION

This report provides a summary of actions undertaken by Council over the past twelve months to improve Risk Management Systems. It also aims to demonstrate the coordination required to prepare for the upcoming Risk Management Evaluation in November.

Council recommends that procedures are put in place to provide the Audit Committee with regular reporting on Council's Risk Management Action Plan as part of the Risk Management Framework.

ATTACHMENTS

Nil



5.6 WORK HEALTH, SAFETY AND WELLBEING – REPORT NO. AR21/58962

Committee:	Audit Committee
Meeting Date:	20 September 2021
Report No.:	AR21/58962
CM9 Reference:	AF11/863
Author:	Tegan McPherson, Manager Organisational Development
Authoriser:	Darren Barber, General Manager Shared Services
Summary:	This report is a summary of Council’s performance in the area of Workplace Health, Safety and Wellbeing. The report also provides an overview of key initiatives underway in this area.
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. AR21/58962 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.



TYPE OF REPORT

Other

BACKGROUND

This report is an initial presentation for a new reporting structure for workplace health, safety and wellbeing at City of Mount Gambier. Its purpose is to provide the Audit Risk Committee with a summary of our safety performance with insights for continuous improvement. This format will evolve as our data and reporting capability improves, and once there are established KPIs and targets that can provide a strategic oversight of safety performance with lag and lead indicators.

PROPOSAL

That Council Audit Committee receives a regular Work Health Safety and Wellbeing report presenting a quarterly update on performance, compliance and initiatives.

LEGAL IMPLICATIONS

Section 125 of the Local Government Act 1999 ('LG Act') requires Council to ensure that appropriate policies practices and procedures of internal control are implemented and maintained in order to assist the Council to carry out its activities in an efficient and orderly manner to achieve its objectives.

Council is required to provide and undertake measures to eliminate risks to health and safety, so far as is reasonable practicable. If it is not reasonably practicable to eliminate risks to health and safety, then to minimise those risks so far as is reasonably practicable and to demonstrate a systematic approach to the planning and implementation of Work Health and Safety processes that are compliant with the legislation, regulations and self-insurance requirements covered under:

- Work Health and Safety Act 2012
- Work Health and Safety Regulations 2012
- Return to Work Act 2014
- Return to Work Regulations 2015
- Code for the Conduct of Self Insured Employers under the Return to Work Scheme which includes the Performance Standards (Injury management standards for self-insured employers April 2019 and Work Health and Safety standards for self-insured employers August 2017)

STRATEGIC PLAN

Nil

COUNCIL POLICY

The Workplace Health and Safety Management System supports [Council Policy - Risk Management](#).

ECONOMIC IMPLICATIONS

Nil

ENVIRONMENTAL IMPLICATIONS

Nil

SOCIAL IMPLICATIONS

Nil

CULTURAL IMPLICATIONS

Nil



RESOURCE IMPLICATIONS

Nil

VALUE FOR MONEY

Nil

RISK IMPLICATIONS

This report will assist Council to manage its risk associated with workplace health and safety ensuring it meets its legislative requirements and that its workforce and community are kept safe and healthy in the delivery of services and operations.

EQUALITIES AND DIVERSITY IMPLICATIONS

Nil

ENGAGEMENT AND COMMUNICATION STRATEGY

Nil

IMPLEMENTATION STRATEGY

Council's Executive Management Team and Health and Safety Committee will receive workplace health and safety reporting on a regular basis which will inform the quarterly report presented to the Audit and Risk Committee.

CONCLUSION AND RECOMMENDATION

This report provides an initial presentation and summary of our safety performance with insights for continuous improvement. It also provides a summary of key initiatives that are currently being worked on within this area.

It is recommended that a Workplace Health, Safety and Wellbeing Report be presented to the Audit Risk Committee on a quarterly basis to ensure effective monitoring of compliance and performance.

ATTACHMENTS

1. Work Health, Safety and Wellbeing Report - July 2021 [↓](#)





HEALTH, SAFETY AND WELLBEING MANAGEMENT REPORT

Audit Risk Committee Report – September 2021

1. Summary

This report is an initial presentation and proposal for a new reporting structure for workplace health, safety and wellbeing at City of Mount Gambier. Its purpose is to provide the Audit Risk Committee with a summary of our safety performance with insights for continuous improvement. This format will evolve as our data and reporting capability improves, and once there are established KPIs and targets that can provide a strategic oversight of safety performance with lag and lead indicators.

This report provides a snapshot of the current state for safety compliance and performance at City of Mount Gambier. In recent months we have seen some improvement in the level of reporting of incidents and hazards from across the business. There has been increased emphasis on the importance of reporting to our safety culture through the Health and Safety Committee, Staff Briefings and general team meetings and updates. This emphasis needs to be maintained, as we can see a slight drop again for the month of July.

Some of this decline in reporting may be attributed to the lack of follow-up, investigation and feedback of incidents and hazards reported. Of those reported, we are seeing many that remain open for extended periods of time with 83% of reported hazards and incidents left open from the months prior to July. There needs to be a greater focus from People Leaders to ensure there is appropriate follow-up actions and investigation from reports to ensure we are preventing further safety issues, and providing a feedback loop to those individuals who have reported.

Current focus areas for Council's HR/WHS team:

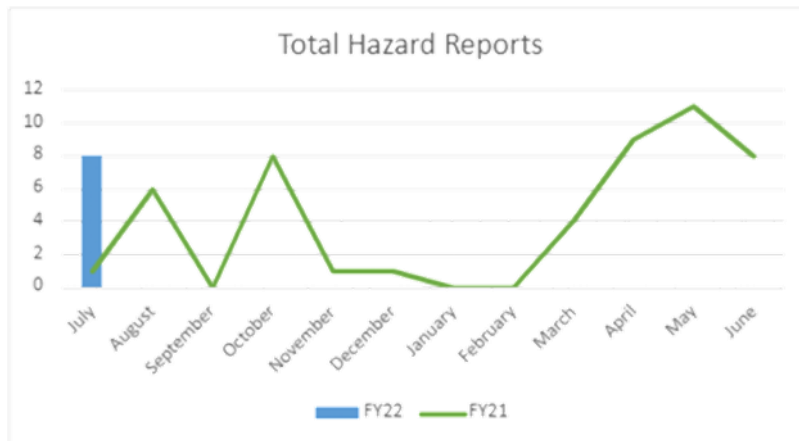
- WHS IM Action Plan (refer to Section 5 of this report for further details).
- Preparation for the Risk Management and WHS IM Evaluation scheduled for 9-11 November 2021.
- Ongoing management of injury management claims with LGWCS.
- Review and implementation of new HSC Terms of Reference.
- Promoting increased participation in hazard identification and incident reporting across the organisation.
- Partnering with People Leaders to close-out overdue/ outstanding hazards, incidents and corrective actions.



2. Hazard Management

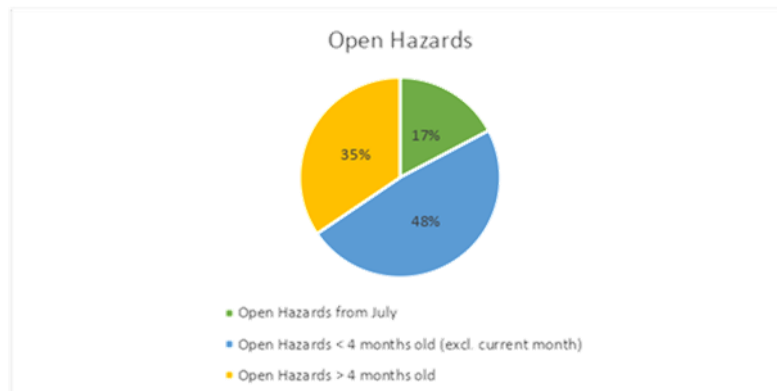
2.1. Total Hazard Reports (Year on Year Comparison)

This report provides a snapshot of the total number of hazards reported across the business for the month of July 2021. While there has been a slight reduction in the number of reports from last month, there continues to be an improved trend in the reporting of hazards across Council.



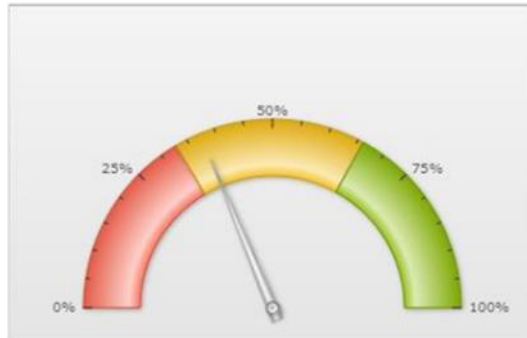
2.2. Open Hazards and Hazard Closure Rate

Hazards that remain Open in the system are those that may still require investigation and corrective measures to be put in place. There continues to be a high number of older hazards within the system that have yet to be reviewed and closed. The Organisational Development team is working with the different Departments to improve this process.

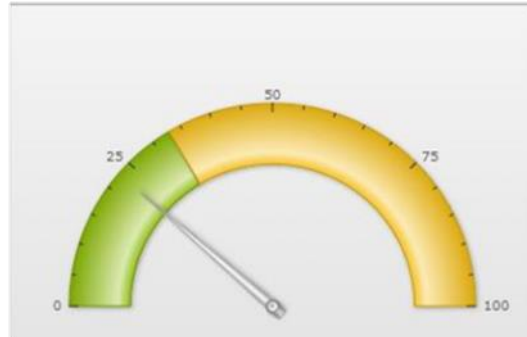




% of Hazards Closed for July



Average Days to Close Hazard



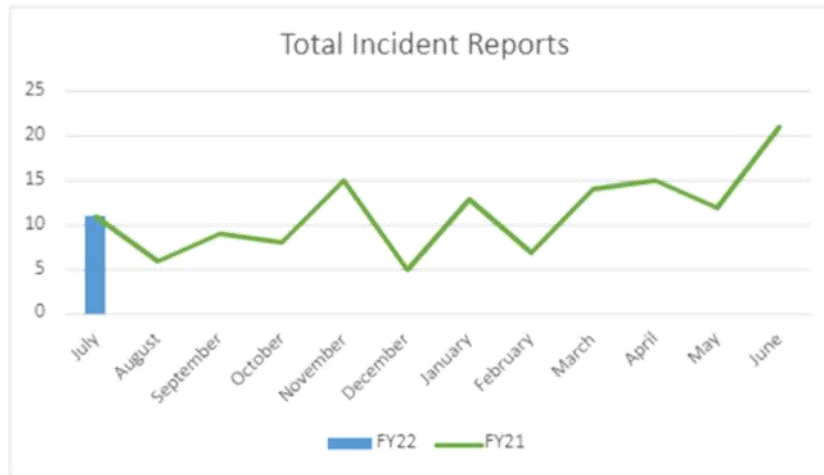
The turnaround times associated with closing hazards is sitting at approximately 24 days. This is why we see a low closure rate for hazards for the month of July, with many hazards not being closed within the month they are reported.

3. Incident and Investigation Management

3.1. Total Incident Reports (Year on Year Comparison)

This report provides a snapshot of the total number of incidents reported across the business for the month of July 2021. There has been a significant effort to improve incident reporting across all areas of the business which is where we saw the improvement in prior months, however this appears to have tapered off again in July.





3.2. Investigation Management

Investigations that remain Open in the system are those that require investigation and corrective measures to be identified and put in place. There continues to be a high number of older hazards within the system that have yet to be reviewed and closed. The Organisational Development team is working with the different Departments to improve this process.



% of Investigations Closed for July



Average Days to Close Investigations

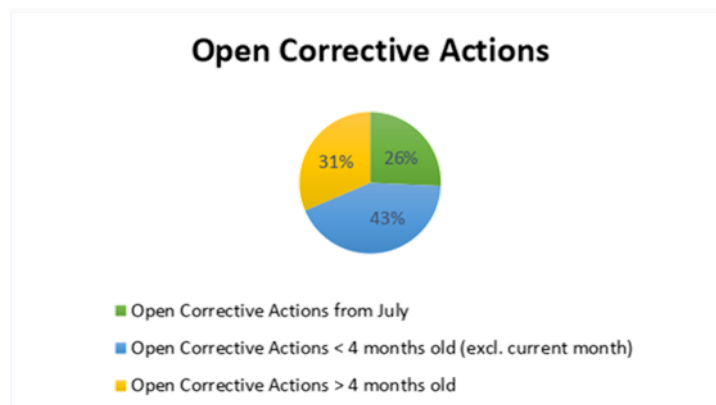
3.3. Inspections and Audits

The Executive team shall review workplace inspection findings, audit results, legislative changes and other information relating to the workplace inspection process and its effectiveness and direct action when required. When relevant, objectives, targets and performance indicators for the workplace inspection process will be set.

Workplace inspections have continued to occur in line with the scheduled inspection cycle. Recently completed inspections have resulted in 87% to 100% compliance, with the majority of non-conformance actions relating to housekeeping and testing and tagging. There has been significant safety improvements implemented at the Waste Transfer Station from hazards identified in the last workplace inspection.

3.4. Corrective Actions Register

There are currently 24 outstanding actions, on the corrective actions register, for the period ending July 2021. Of the outstanding actions listed 62% are overdue.



4. Hazard v Incident Tracking

The following graph is intended to show the relationship between hazard and incident reports. In general, where you see an increase in the identification of hazards you see an increase in safety awareness which reduces the occurrences of incidents. This will be a trend we continue to monitor as a lead indicator of our safety culture.



5. Injury Management

5.1. Lost Time Injury Frequency Rate (LTIFR) – Work in Progress

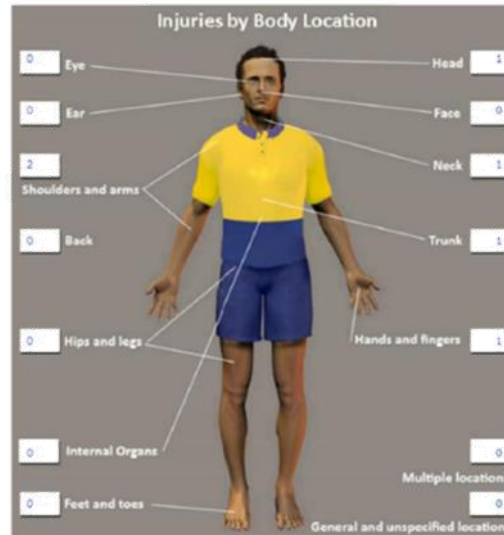
A lost-time injury is something that results in a fatality, permanent disability or time lost from work. It could be as little as one day or shift.

- LTIFR refer to the number of lost-time injuries within a given accounting period, relative to the total number of hours worked in that period.
- LTIFR is a proxy measurement for safety performance.

LTIFR calculations measure the number of lost-time injuries per million hours worked during an accounting period. It is a figure that can be benchmarked with others in the industry.



5.2. Injuries by location diagram



6. IM WHS Action Plan

6.1. WHS IM Action Plan Progress Report– (Yearly action plan – AR21/ 9584)

The action plan progress results achieved for July 2021 is 46%. This equates to 35% overall year to date and leaves a total of eleven actions due for completion prior to 30 September 2021. To ensure Council qualifies for the Local Government Risk Services rebate a total of over 77% compliance is required.

Outstanding actions due for completion in August and September 2021 focus on Contractor Management processes, reviewing and updating training needs analysis for administration business units and development of competency processes. This report also forms part of two actions due for completion.

7. Wellbeing Initiatives

7.1. Ageing and Work Health Program – AR20/45900

Summary and progress update will be provided as part of the next scheduled meeting.

7.2. Wellbeing Program

Council was in receipt of approximately \$20k through Scheme awards in FY21. There has been agreement to invest these funds in a Wellbeing Program across FY22 with a view to have an ongoing wellbeing program that is tailored for City of Mount Gambier ongoing. Details will be provided once developed and presented to the HSC for final review and recommendation.



8. Continuous Improvement/ Projects

8.1. Principle and Procedure development and review schedule

Principle/ Procedure Name	Document number	Responsibility	Review Date
UV and Inclement Weather Procedure	AR17/33093	WHSC	April 2021
Work Zone Traffic Management Procedure	AR17/33133	WHSC	April 2021
Communication and Consultation Principle	AR17/33096	WHSC	May 2021
Hazardous Chemical Procedure	AR17/33076	WHSC	April 2021
Plant Procedure	AR17/33088	WHSC	February 2021



6 URGENT MOTIONS WITHOUT NOTICE

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, 12 APRIL 2021 AT 5.30 P.M.**

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

OFFICERS IN ATTENDANCE: General Manager Shared Services - Mr D Barber
Acting Manager Finance - 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)

Nil

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Angela Kain

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.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil



5 REPORTS

5.1 REVIEW OF TERMS OF REFERENCE

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

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 reviewed and presented to next meeting.

CARRIED

5.2 AUDIT COMMITTEE WORKS PROGRAM

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin

Seconded: Paul Duka

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

CARRIED

5.3 QUARTERLY BUDGET REVIEW 2 2020/21

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Angela Kain

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.

CARRIED



5.4 INTERNAL CONTROLS - PROPOSED BUDGET PROCESS IMPROVEMENTS

COMMITTEE RESOLUTION

Moved: Angela Kain
Seconded: Mayor Lynette Martin

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

CARRIED

6 CONFIDENTIAL ITEMS

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

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin
Seconded: Paul Duka

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 Members P Duka and A Kain and Council Officers D Barber and C McGregor be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 6.1 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.

CARRIED

COMMITTEE RESOLUTION



Moved: Mayor Lynette Martin
Seconded: Angela Kain

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 AR21/20765 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*.

CARRIED

7 MEETING CLOSE

The Meeting closed at 6:22 pm.

The minutes of this meeting were confirmed at the Audit Committee held on

.....
PRESIDING MEMBER

