



City of
Mount Gambier

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

Date: Wednesday, 25 March 2020
Time: 5.00 p.m.
Location: Virtual Meeting
Public can view meeting in the
Mayoral Reception Area, Level 4
Civic Centre
10 Watson Terrace
Mount Gambier

AGENDA

Audit Committee Meeting 25 March 2020

Andrew Meddle
Chief Executive Officer
20 March 2020

Order Of Business

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1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

[Audit Committee Meeting - 20 January 2020](#)

RECOMMENDATION

That the minutes of the Audit Committee meeting held on 20 January 2020 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 AUDIT COMMITTEE WORKS PROGRAM – REPORT NO. AR20/4360

Committee:	Audit Committee
Meeting Date:	25 March 2020
Report No.:	AR20/4360
CM9 Reference:	AF11/863
Author:	Jeroen Zwijnenburg, Manager Finance and Customer Service
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	This report provides the 2019/20 Audit Committee works program and an overview of the work performed year to date
Community Plan Reference:	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR20/4360 titled 'Audit Committee works program' as presented on 25 March 2020 be noted.
2. That the Audit Committee accepts to work with the current work program for the remainder of the 2020 financial year as well as for the 2021 financial year with the following additions / changes to be included:
 - (a)
 - (b)



BACKGROUND

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

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

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

DISCUSSION

The attached table provides the Audit Committee works program and an overview of the work performed year to date, with the inclusion of the current meeting's agenda items. The colouring of the cells indicates the anticipated Audit Committee meeting where it is normally anticipated the relevant topic will be addressed.

Specific items:

The Audit Committee considers the replication of the FY2020 Annual Work program for FY2021.

The dates proposed as provisional dates for the Audit Committee for FY2021 are as follows:

- Monday 14 September 2020 5pm
- Monday 14 December 2020 5pm
- Monday 15 March 2021 5pm
- Monday 7 June 2021 5pm

The Works program includes the item 'Review of Audit Committee member appointments' at the last meeting before 31 December each year, with appointments to the committee for a period of at least two years per the terms of reference. Therefore, the following appointments will be coming up:

- Ms. Angela Kain: appointment January 2018 – review before December 2020
- Mr. Paul Duka: appointment May 2019 – review before December 2021

1. Both independent members are capable of serving again.

CONCLUSION

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

ATTACHMENTS

1. Audit Committee Annual Work Program Tables - Meeting 25 March 2020 [↓](#)





Audit Committee

Annual Work Program
Reviewed March 2020

AUDIT COMMITTEE – ANNUAL WORK PROGRAM – FY2020 – version MAY 2020

Report	Frequency	Timing				Requirement LG Act 1999, LG (Fin Mngl) Regulations 2011 / Audit Committee TOR	Reference
		September	November	February	April/May		
Review Annual Work Program	Annually					TOR	7.5.5 and 9.5
Review Terms of Reference	Annually					TOR	9.5
Internal Controls, Risks and Improvement plans (including cumulative spend and procedure)	Quarterly					Regulations TOR	S 41(b) 7.2.1
Infrastructure and Asset Management Plans and Asset Management Strategy	Annually					TOR	7.1.4
Long Term Financial Plan	Annually					Regulations	S 126(4)(ab)
Annual Business Plan and Budget (including assumptions)	Annually					LG Act	S 126(4)(ab)
External Audit - Interim Review and Management Letter	Annually					TOR	7.5
Confidential meeting with External Auditors	Annually					LG Act TOR	S 126(4)(b) 7.5
External Auditor – Statutory External Audit and Report on Financial Results	Annually					Regulations TOR	Reg. 10 7.5
Annual Financial Results / Statements including authorisation by Presiding Member	Annually					LG Act TOR	S 126(4)(a) 7.1
Quarterly Budget Review	3 times pa					LG Act and TOR	S126 7.1.3
Crisis Management Arrangements including: Emergency Management	Biennially					TOR	7.2.1
Annual Report	Annually					TOR	7.1.1 and 7.2.2
Policy Reviews • Budget Framework Policy B300 • Fraud and Corruption Prevention Policy • Treasury Management Policy T150 • Whistleblowing Protection Policy W150	Refer Policies					TOR TOR TOR TOR	7.1.2.1 7.2 and 7.3 7.1.2.1 7.3
Audit Committee Self-Assessment	Annually					TOR	9.5

Reference: AR20/4352
Last update: 2/3/2020

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Audit Committee

**Annual Work Program
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Review of External Auditors' performance and overall effectiveness	Annually				TOR	7.5.3 and 7.5.6
Annual Report to Council by the Presiding Member of the Audit Committee	Annually				To be included in TOR when next updated	
Presentations will be scheduled at the request of the Audit Committee and/or to accompany reports / agenda items where relevant						

DRAFT





Audit Committee

Annual Work Program
Reviewed March 2020

ANNUAL REPORT BY THE PRESIDING MEMBER OF THE AUDIT COMMITTEE – FY2020 – YTD March 2020 - for information

	Topics (per 15 May 2020 established Work program)	Frequency	Dates				Requirement LG Act 1999, / LG (Fin Mngt) Regulations 2011 / Audit Committee TOR	Reference
			2 September 2019	20 January 2020	23 March 2020	25 May 2020		
1	Review Annual Work Program	Annually					TOR	7.5.5 and 9.5
2	Review Terms of Reference	Annually			Terms of Reference ()		TOR	9.5
3	Internal Controls, Risks and Improvement plans (including cumulative spend and procedure (May/June)	Quarterly	Non-quarantining of cemetery funds (5.2)	Internal Financial Controls – Improvement Task Update (5.1)	FY2021 Budget process and parameters ()		Regulations TOR;	S 41(b) 7.2.1
4	Infrastructure and Asset Management Plans and Asset Management Strategy	Annually					TOR	7.1.4
5	Long Term Financial Plan	Annually					Regulations	S 126(4)(ab)
6	Annual Business Plan and Budget (including assumptions)	Annually					LG Act	S 126(4)(ab)
7	External Audit - Interim Review and Management Letter	Annually					TOR	7.5
8	Confidential meeting with External Auditors (when considered necessary)	Annually	FY2019 Annual Financial Statements (5.1)				LG Act TOR	S 126(4)(b) 7.5
9	External Auditor – Statutory External Audit and Report on Financial Results	Annually	FY2019 Annual Financial Statements (5.1)				Regulations TOR	Reg. 10 7.5
10	Annual Financial Results / Statements including authorisation by Presiding Member	Annually	FY2019 Annual Financial				LG Act TOR	S 126(4)(a) 7.1

Reference: AR20/4352
Last update: 2/3/2020

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Audit Committee

**Annual Work Program
Reviewed March 2020**

			Statements (5.1)					
11	Quarterly Budget Review	3 times pa		BR1 / BR2 Update (5.2)	BR2 Update ()		LG Act and TOR	S126 7.1.3
12	Crisis Management Arrangements including: Emergency Management	Biennially		Crisis management arrangements update (5.3)			TOR	7.2.1
13	Annual Report	Annually		Annual Report (5.4)			TOR	7.1.1 and 7.2.2
14	Policy Reviews • Budget Framework Policy B300 • Fraud and Corruption Prevention Policy • Treasury Management Policy T150 • Whistleblowing Protection Policy W150	Refer Policies		Audit related policy review (5.7)			TOR TOR TOR TOR	7.1.2.1 7.2 and 7.3 7.1.2.1 7.3
15	Audit Committee Self-Assessment	Annually		Self-assessment (5.5)			TOR	9.5
16	Review of External Auditors' performance and overall effectiveness	Annually		(5.6)			TOR	7.5.3 and 7.5.6
18	Presentations will be scheduled at the request of the Audit Committee and/or to accompany reports / agenda items where relevant							
	Other topical items			Reforming Local Government in SA (5.8)				

Audit Committee members' and external auditor presence at meetings:

2019/20 Financial Year		2 September 2019	20 January 2020	23 March 2020	25 May 2020	Total
Audit Committee Members	Cr Mrs. Sonya Mezinac	Yes – Presiding member	Yes – Presiding member			
	Ms. Angela Kain – appointed	-	Yes			
	Mr. Paul Duka – appointed May 2019	Yes	Yes			

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Audit Committee

**Annual Work Program
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	Mayor – Mrs. Lynette Martin	Yes	Yes			
TOTAL attendance		3				
External Auditor	Mr. Tim Muhlhauser	-	-			
	Mr. Kristofer Bergamaschi		-			
Council Staff	Mr. Jeroen Zwijnenburg	Yes	Yes			
	Ms. Kahli Rolton	Yes	-			
	Dr. Judy Nagy	Yes	Yes			

DRAFT





Audit Committee

Annual Work Program
Reviewed March 2020

ANNUAL REPORT BY THE PRESIDING MEMBER OF THE AUDIT COMMITTEE – FY2019 – for information

	Topics	Frequency	Dates				Requirement LG Act 1999, / LG (Fin Mngt) Regulations 2011 / Audit Committee TOR	Reference
			26 September 2018	17 December 2018	15 May 2019	4 June 2019		
1	Review Annual Work Program	Annually			V		TOR	7.5.5 and 9.5
2	Review Terms of Reference	Annually		V			TOR	9.5
3	Internal Controls, Risks and Improvement plans (including cumulative spend and procedure)	Quarterly	ControlTrack continuous improvements	ControlTrack residual risk ratings; Property searches process improvement; Procurement Framework and Admin Procedure; Internal Financial Controls Procedure Manual	Internal Financial Controls – Cumulative spend review (1/7/18-14/3/19); AusCERT Cyber Security Survey; Customer Experience Team improvement	CQR Cyber Security assessment – update; Registers of Process Improvement, Service reviews and projects	Regulations TOR;	S 41(b) 7.2.1
4	Infrastructure and Asset Management Plans and Asset Management Strategy	Annually					TOR	7.1.4
5	Long Term Financial Plan	Annually					Regulations	S 126(4)(ab)
6	Annual Business Plan and Budget (including assumptions)	Annually	Capital Work in Progress Budget Carry Overs	Integrated and Planning Budget Framework (IP&BF)		Draft FY2020 Annual Business Plan and Budget	LG Act	S 126(4)(ab)
7	External Audit - Interim Review and Management Letter	Annually			Interim Management letter	Final Interim Audit Management letter	TOR	7.5
8	Confidential meeting with External Auditors (when considered necessary)	Annually					LG Act TOR	S 126(4)(b) 7.5
9	External Auditor – Statutory External Audit and Report on Financial Results	Annually	V			Audit Engagement Plan FY2019	Regulations TOR	Reg. 10 7.5

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Audit Committee

**Annual Work Program
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10	Annual Financial Results / Statements including authorisation by Presiding Member	Annually	V		Accounting Standards Update (AASB 15 / 16)		LG Act TOR	S 126(4)(a) 7.1
11	Quarterly Budget Review	3 times pa		BR1 FY2019			LG Act and TOR	S126 7.1.3
12	Crisis Management Arrangements including: Emergency Management	Biennially					TOR	7.2.1
13	Annual Report	Annually					TOR	7.1.1 and 7.2.2
14	Policy Reviews • Budget Framework Policy B300 • Fraud and Corruption Prevention Policy • Treasury Management Policy T150 • Whistleblowing Protection Policy W150	Refer Policies	T150				TOR TOR TOR TOR	7.1.2.1 7.2 and 7.3 7.1.2.1 7.3
15	Audit Committee Self-Assessment	Annually					TOR	9.5
16	Review of External Auditors' performance and overall effectiveness	Annually					TOR	7.5.3 and 7.5.6
18	Presentations will be scheduled at the request of the Audit Committee and/or to accompany reports / agenda items where relevant							





Audit Committee

**Annual Work Program
Reviewed March 2020**

Audit Committee members' and external auditor presence at meetings:

2018/19 Financial Year		26 September 2018	17 December 2018	15 May 2019	4 June 2019	Total
Audit Committee Members	Cr Mrs. Sonya Mezinec	Yes – Presiding member	Yes – Presiding member	Yes – Presiding member	Yes – Presiding member	4 / 4
	Ms. Angela Kain (appointed January 2018)	Yes	Yes	Yes	-	3 / 4
	Mr. Paul Duka – appointed May 2019	NA	NA	Yes	Yes	2 / 2
	Mrs. Vanessa McDonald – resigned September 2019	Yes	NA	NA	NA	1 / 1
	Mayor – Mrs. Lynette Martin			-		
TOTAL attendance		3	2	3	2	
External Auditor	Mr. Tim Muhlhauser	Yes	-	-	Yes (phone)	2 / 4
	Mr. Kristofer Bergamaschi	-	-	-	Yes (phone)	
Council Staff	Ms. Pamela Lee	Yes	Yes	Yes	Yes	
	Mr. Jeroen Zwijnenburg	Yes	Yes	Yes	Yes	
	Ms. Kahli Rolton	Yes	Yes	Yes	-	





Audit Committee

Annual Work Program
Reviewed March 2020

Below the version to report on 2019-20. Note: per request of the audit committee this has now become a work program aligned with the financial year rather than the calendar year.

	Topic per 15 May 2020 established Work program	Frequency	Dates				Requirement LG Act 1999, / LG (Financial Management) Regulations 2011 / Audit Committee TOR	Reference
			2 September 2019	20 January 2020	23 March 2020	25 May 2020		
1	Review Annual Work Program	Annually					TOR	7.5.5 and 9.5
2	Review Terms of Reference	Annually					TOR	9.5
3	Internal Controls, Risks and Improvement plans (including cumulative spend and procedure)	Quarterly	Non-quarantining of cemetery funds (5.2)	Internal Financial Controls – Improvement Task Update (5.1)			TOR;	S 41(b) 7.2.1
4	Infrastructure and Asset Management Plans and Asset Management Strategy	Annually					TOR	7.1.4
5	Long Term Financial Plan	Annually					Regulations	S 126(4)(ab)
6	Annual Business Plan and Budget (including assumptions)	Annually					LG Act	S 126(4)(ab)
7	External Audit - Interim Review and Management Letter	Annually					TOR	7.5
8	Confidential meeting with External Auditors (when considered necessary)	Annually	FY2019 Annual Financial Statements (5.1)				LG Act TOR	S 126(4)(b) 7.5
9	External Auditor – Statutory External Audit and Report on Financial Results	Annually	FY2019 Annual Financial Statements (5.1)				Regulations TOR	Reg. 10 7.5
10	Annual Financial Results / Statements including authorisation by Presiding Member	Annually	FY2019 Annual Financial Statements (5.1)				LG Act TOR	S 126(4)(a) 7.1
11	Quarterly Budget Review	3 times pa		BR1 / BR2 Update (5.2)			LG Act and TOR	S126 7.1.3
12	Crisis Management Arrangements including: Emergency Management	Biennially		Crisis management arrangements update (5.3)			TOR	7.2.1

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Audit Committee

**Annual Work Program
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13	Annual Report	Annually		Annual Report (5.4)		TOR	7.1.1 and 7.2.2
14	Policy Reviews • Budget Framework Policy B300 • Fraud and Corruption Prevention Policy • Treasury Management Policy T150 • Whistleblowing Protection Policy W150	Refer Policies		Audit related policy review (5.7)		TOR TOR TOR TOR	7.1.2.1 7.2 and 7.3 7.1.2.1 7.3
15	Audit Committee Self-Assessment	Annually		Self-assessment (5.5)		TOR	9.5
16	Review of External Auditors' performance and overall effectiveness	Annually		(5.6)		TOR	7.5.3 and 7.5.6
18	Presentations will be scheduled at the request of the Audit Committee and/or to accompany reports / agenda items where relevant						
	Other topical items			Reforming Local Government in SA (5.8)			

2019-20 Financial Year		2 September 2019	20 January 2020	23 March 2020	25 May 2020	Total
Audit Committee Members	Cr Mrs Sonya Meziniec	Yes – Presiding member	Yes – Presiding member			
	Ms Angela Kain – appointed	-	Yes			
	Mr Paul Duka – appointed May 2019	Yes	Yes			
	Mayor - Mrs Lynette Martin	Yes	Yes			
TOTAL attendance		3				
External Auditor	Mr Tim Muhlhauser	-	-			
	Mr Kristofer Bergamaschi		-			
Council Staff	Mr Jeroen Zwijnenburg	Yes	Yes			
	Ms Kahli Rolton	Yes	-			
	Dr Judy Nagy	Yes	Yes			



5.2 QUARTERLY BUDGET REVIEWS - BR2 – REPORT NO. AR20/4369

Committee:	Audit Committee
Meeting Date:	25 March 2020
Report No.:	AR20/4369
CM9 Reference:	AF11/863
Author:	Jeroen Zwijnenburg, Manager Finance and Customer Service
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	The second quarterly budget review (BR2) was completed and presented to Council for their acceptance at the 17 March 2020 Council meeting. This report provides an overview of the BR2 outcomes for the Audit Committee’s information.
Community Plan Reference:	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR20/4369 titled ‘Quarterly Budget Reviews - BR2’ as presented on 25 March 2020 be noted.



BACKGROUND

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

- “9.1(a) *At least twice, between 30 September and 31 May (both dates inclusive) in the relevant financial year (where at least 1 report must be considered before the consideration of the report under sub regulation (1)(b), and at least 1 report must be considered after consideration of the report under sub regulation (1)(b)) - a report showing a revised forecast of its operating and capital investment activities for the relevant financial year compared with the estimates for those activities set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Uniform Presentation of Finances;*
- 9.1(b) *Between 30 November and 15 March (both dates inclusive) in the relevant financial year – a report showing a revised forecast of each item shown in its budgeted financial statements for the relevant financial year compared with estimates set out in the budget presented in a manner consistent with the Model Financial Statements.*
- 9.2 *A council must also include in a report under sub regulation (1)(b) revised forecasts for the relevant financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.”*

Council has scheduled to undertake and present the budget reviews as follows:

Budget Review	Inclusive Dates	Council Meeting in
Quarter One (BR1)	1 July to 30 September	November 2019
Quarter Two (BR2)	1 July to 31 December	March 2020
Quarter Three (BR3)	1 July to 31 March	May 2020

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

- “7(a) *Be considered in conjunction with the council's annual business plan (and must be consistent with that plan, as adopted); and*
- 7(b) *Be adopted by the council after the council has adopted its annual business plan.”*



Table 1: Operational expenditure Budget estimate revisions since adoption of the original 2019/20 Budget – impact on Profit & Loss Statement.			
Item	CoMG ref	Adjustment to Estimates - Description	P&L impact
1	BR1-02	Boundary Roads funding	(60,000)
2	BR1-06*	Solid Waste Levy	(9,000)
3	BR1-08	Regional Recycling Transport Relief fund	(78,120)
4	BR1-09	Software budget update	(502,013)
5	BR1-10	Civica capex project adjustment	(10,290)
6	BR1-11*	Blue Lake Golf Club operational grant	75,000
7	BR1-13	Street sweeping DPTI funding	(9,000)
8	BR1-14*	Funding for economic development strategies	(50,000)
9	BR1-15	Property lease/rental/hire fees	(86,143)
10	BR1-16	Asset value reduction related to the sale of renewed assets	349,000
11	BR1-17	Salaries allocation between employee and operating costs	(155,000)
12	BR1-19	All other BU manager changes BR1	85,754
13	BR2-01*	Caroline Landfill fees	243,400
14	BR2-02*	300 Mature trees planting program	30,000
15	BR2-03*	Girl Guides - Hastings Cunningham Reserve Shed	37,000
16	BR2-04*	Royal Flying Doctors Shed	15,000
17	BR2-05*	Red Bull Event support	18,000
18	BR2-06	SAPN Australian Energy Regulator	(186,449)
19	BR2-07	WHS Best Practice Awards	(5,000)
20	BR2-08	Additional training requirements	25,000
21	BR2-09	Authority upgrade related Payables review outcomes	(5,000)
22	BR2-10*	Mt Gambier out of School Hours Care (MGOSHC) - playground	(150,000)
23	BR2-11*	Bell tower MG Anglican Church	8,000
24	BR2-12*	Additional Valley Lake Conservation Area contribution	10,000
25	BR2-13*	WINTV right of way	(8,500)
26	BR2-18	LGFA Bonus Interest + Interest revenue reduction	(19,210)
27	BR2-19	Change in Site Valuation (old Target) impact \$56.6k.	56,663
28	BR2-21*	CaRH Tenancy - Open Door Baptist	1,500
29	BR2-25*	Christmas Decorations	25,000
30	BR2-26	Kerbside Recycling	4,000
31	BR2-27	RDO Toil over-accrual	(5,000)
32	BR2-30	IT server and network infrastructure review	15,000
33	BR2-32*	Impairment of Aquatic Centre (Other Comprehensive income)	1,495,000
34	BR2-33*	Sport and Recreation Major Capital Works Program 2019/20	30,000
35	BR2-34*	Pioneers Basketball Club support for Basketball Victoria NBL1 competition	25,000
36	BR2-35*	Sale of 25 Alexander Street - disposal of land	146,000
Total		Budget Review Q2 YTD overall impact P&L	1,807,404
(*) Council previously approved BR measures			



Table 2: Operational expenditure Budget estimate revisions since adoption of the original 2019/20 Budget – impact on Balance Sheet.			
Item	CoMG ref	Adjustment to Estimates - Description	BS impact
1	BR1-10	Civica capex project adjustment	(19,710)
2	BR1-14*	Funding for economic development strategies	50,000
3	BR1-20	Information Technology capex updates	(35,290)
4	BR2-10*	Mt Gambier Out of School Hours Care (MGOSHC) - playground	150,000
5	BR2-14*	Memorial seat Archery Park	1,800
6	BR2-15*	Wrapping of fleet vehicles	4,600
7	BR2-20*	CaRH Tenancy - Scouts Container	4,000
8	BR2-21*	CaRH Tenancy - Open Door Baptist	5,000
9	BR2-22*	CONFIDENTIAL – Senior Citizens	52,000
10	BR2-25*	Christmas Decorations	(25,000)
11	BR2-36*	Pump Track Construction	248,400
12	BR2-37	Capex Rollover from 2019/20 to 2020/21	(1,654,960)
Total		Budget Review Q2 YTD overall impact BS	(1,219,160)
(*) Council previously approved BR measures			



DISCUSSION

The above two tables include estimates as part of the year to date 2019/20 Budget Review Two, since adoption of the original 2019/20 Budget, including the financial implications of any Council resolved changes since the original adoption of the budget and including items per the 2019/20 Budget Review One.

The attached Proforma Statement of Comprehensive Income, Proforma Statement of Financial Position, Proforma Statement of Changes in Equity and Proforma Statement of Cash Flows provide a comparison to the adopted Annual Business Plan and Budget 2019/20, the Budget Revision One and December 2019 YTD actuals.

The following is noted for information:

FY2019/20 original budget

The original adopted 2019/20 Annual Business Plan and Budget included:

- A net surplus of \$282,000 and an operating deficit of \$242,000
- Net capital expenditure (Capex) \$10,494,000

Subsequently, the Work in Progress budget carryovers from 2018/19 carried forward from the 2018/19 financial year the following amounts:

- \$125,000 operating expenditure (Opex – impacting net surplus and operating deficit)
- \$2,201,000 capital expenditure (Capex)

The adjusted original budget therefore resulted in:

- A net surplus of \$157,000 and an operating deficit of \$367,000
- Net capital expenditure (Capex) \$12,695,000



YTD BR2 Operating & Comprehensive income

The year to date 2019/20 Quarter 2 Budget Review has resulted in a \$103,000 improvement to the operating net deficit forecasted position, from a deficit of \$367,000 to a deficit of \$264,000.

The major Quarter 2 Budget Revisions year to date show below the operating surplus / (deficit) lines, and are related to assets, namely:

- A \$313,000 decrease in the net deficit position, bringing the budgeted net surplus of \$157,000 to a revised estimate of a budgeted net deficit of \$156,000.
- A total comprehensive income movement from \$157,000 to a deficit of \$1,651,000.

The primary reason for this decrease in the net profit / (deficit) was included in Budget Review 1. This \$349,000 amount relates to the inclusion of the asset value of the assets to be replaced for which proceeds of \$349,000 were included for in the original budget.

The secondary reason for the decrease in the net profit / (deficit) is the sale of 25 Alexander Street for \$1 while the assets was valued at \$146,000 in Council's asset register.

All this transpires under the line 'asset disposal & fair value adjustments' on the Proforma Statement of Comprehensive Income.

Total comprehensive income is impacted by a further \$1,495,000 impairment expense within Other Comprehensive expenses related to the Aquatic Centre and Olympic Park assets, which will be impaired with their closure and removal with the build of the CaRH, based on a current estimate of their remaining values at the end of this financial year.

YTD BR2 Capital expenditure

The Quarter 2 Budget Review also includes the acknowledgement that every year Council carries over budgeted capital expenditure to the following year, as many projects, which have been approved by Council as part of the budget process, are not completed at 30 June 2020, but will continue into the following year. In anticipating these carry overs as part of the Budget Review process as well as the Budget process Council will be able to better forecast its cash flow. This aspect of financial forecasting is becoming of more relevance with Council expected to move into increased need to borrow funds to finance its operating and capital expense commitments with the build of the CaRH into the coming years.

The currently Budget Revision carry over capital expenditure into FY2020/21 amounts to \$1,655,000 (which compares to an actual carry over from FY2018/19 into FY 2019/20 of \$2,201,000).

The BR2 capital expenditure budget for 2019/20 amounts to \$11,746,000. This represents the original budget amount of \$12,695,000, an additional \$436,000 in capital expenditure items and a reduction due to carry over of capital expenditure of \$1,655,000. The addition capital expenditure for the year (per Table 2) includes the Pump Track (\$248,400) and the Mount Gambier Out of School Hours Care (MGOSHC) playground (\$150,000).

CONCLUSION

The Quarter 2 Budget Review forecasts:

- A operating deficit position of \$264,000, an improvement of \$103,000 from the budgeted position of \$367,000 due to a variety of smaller change in the operating expenses;
- A net deficit for the financial year of \$156,000. This decrease of \$313,000 compared to the original budget adopted by Council on 27 June 2019 is primarily due to the sale of 25 Alexander Street and the inclusion of the asset value reduction due to sale of assets omitted in the original budget.
- Changes to capital assets from a profit of \$157,000 to a loss of \$1,651,000, primarily due to the Aquatic Centre and Olympic Park revaluation, the sale of 25 Alexander Street and the inclusion of the asset value reduction due to sale of assets omitted in the original budget.



ATTACHMENTS

- 1. Proforma Financial Statements BR2 FY2020 [↓](#)



City of Mount Gambier

Proforma Statement of Comprehensive Income
BR2 FY2020, BR1 FY2020, Budget FY2020 and Actual FY2019

		FY BR2 2020 \$'000	FY BR3 2020 \$'000	FY BR2 2020 \$'000	FY BR1 2020 \$'000	FY Budget \$'000	2019 Actual \$'000
INCOME							
Rates	2	22,157	22,433	22,433	22,433	22,435	21,433
Statutory charges	2	402	439	439	439	402	426
User charges	2	5,307	5,511	5,511	5,511	5,269	5,021
Grants, subsidies and contributions	2	4,181	4,102	4,102	4,102	3,909	4,435
Investment income	2	113	64	64	64	48	86
Reimbursements	2	105	109	109	109	101	19
Other income	2	463	251	251	251	249	417
Total Income		32,727	32,910	32,910	32,910	32,414	31,837
EXPENSES							
Employee costs	3	12,231	12,494	12,494	12,494	12,589	11,800
Materials, contracts & other expenses	3	12,915	12,853	12,853	12,853	12,709	11,972
Depreciation, amortisation & impairment	3	7,655	7,447	7,447	7,447	7,331	7,424
Finance costs	3	191	164	164	164	152	203
Total Expenses		32,991	32,959	32,959	32,959	32,781	31,399
OPERATING SURPLUS / (DEFICIT)		(264)	(48)	(48)	(48)	(367)	437
Asset disposal & fair value adjustments	4	(115)	-	-	-	349	(595)
Amounts received for new or upgraded assets	2	223	205	205	205	175	105
Physical resources received free of charge	2	-	-	-	-	-	159
NET SURPLUS / (DEFICIT) transferred to Equity Statement		(156)	157	157	157	157	107
Other Comprehensive Income							
<i>Amounts which will not be reclassified subsequently to operating result</i>							
Changes in revaluation surplus - infrastructure, property, plant & equipment							56
Impairment (expense) / recoupments offset to asset revaluation reserve		(1,495)	-	-	-	-	-
Total Other Comprehensive Income		(1,495)	-	-	-	-	56
TOTAL COMPREHENSIVE INCOME		(1,651)	157	157	157	157	163



City of Mount Gambier
Proforma Statement of Financial Position
BR2 FY2020, BR1 FY2020, Budget FY2020 and Actual FY2019

		FY BR2 2020	FY BR1	FY Budget	2019 Actual
	Notes	\$'000	2020 \$'000	2020 \$'000	\$'000
ASSETS					
Current assets					
Cash and cash equivalents	5	1,343	3,132	431	6,069.451
Trade & other receivables	5	1,861	1,861	1,524	1,848.581
Inventories	5	816	816	304	815.587
0.307952505		4,020	5,809	2,259	8,733.618
Non-current assets					
Financial assets	6	(0)	18	-	17.686
Infrastructure, property, plant & equipment	7	247,915	247,915	252,201	244,752.176
Total non-current assets		247,915	247,933	252,201	244,769.861
Total assets		251,935	253,742	254,460	253,503.479
LIABILITIES					
Current liabilities					
Trade & other payables	8	3,065	3,065	2,609	3,016.473
Borrowings	8	206	206	206	194.581
Provisions	8	2,407	2,407	2,332	2,338.396
Total current liabilities		5,678	5,678	5,147	5,549.451
Non-current liabilities					
Borrowings	8	2,171	2,171	2,170	2,377.285
Provisions	8	3,809	3,809	3,768	3,649.369
Total non-current Liabilities		5,980	5,980	5,938	6,026.654
Total liabilities		11,658	11,658	11,085	11,576.104
NET ASSETS		240,277	242,084	243,375	241,927.375
EQUITY					
Accumulated surplus		65,454	65,766	65,908	65,609.259
Asset revaluation reserves	9	173,963	175,458	176,619	175,457.938
Other reserves	9	860	860	848	860.179
TOTAL EQUITY		240,277	242,084	243,375	241,927.375

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



City of Mount Gambier

Proforma Statement of Changes in Equity Budget Review 2 FY2020 and Actual FY2019

	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2020	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period	65,609	175,458	860	241,928
Restated opening balance	65,609	175,458	860	241,928
Net surplus / (deficit) for the year	- 156	-	-	- 156
Other Comprehensive Income				
Transfers between reserves	-	-	-	-
Balance at end of period	65,454	173,963	860	240,278
2019	\$'000	\$'000	\$'000	\$'000
Balance at end of previous reporting period	65,515	175,402	847	241,764
Other Comprehensive Income				
Gain on revaluation of infrastructure, property, plant & equipment	-	56	-	56
Transfers between reserves	- 13	0	13	0
Balance at end of period	65,609	175,458	860	241,927



City of Mount Gambier

Proforma Statement of Cash Flows

BR2 FY2020, BR1 FY2020, Budget FY2020 and Actual FY2019

	Notes	FY BR2 2020 \$'000	FY BR1 2020 \$'000	FY Budget 2020 \$'000	2019 Actual \$'000
CASH FLOWS FROM OPERATING ACTIVITIES					
<u>Receipts</u>					
Rates - general & other		21,194	21,278	21,280	21,388
Fees & other charges		402	439	402	426
User charges		5,294	5,480	5,238	5,459
Investment receipts		113	64	-	86
Grants utilised for operating purposes		4,181	4,102	3,909	4,435
Reimbursements		105	109	101	21
Other revenues		463	251	187	446
<u>Payments</u>					
Employee costs		(12,114)	(12,344)	(13,013)	(11,629)
Materials, contracts & other expenses		(12,003)	(11,781)	(10,665)	(12,981)
Finance payments		(152)	(152)	(152)	(161)
Net cash provided by (or used in) Operating Activities		7,484	7,447	7,287	7,490
CASH FLOWS FROM INVESTING ACTIVITIES					
<u>Receipts</u>					
Amounts received for new or upgraded assets		223	205	175	105
Sale of replaced assets		(116)	-	349	359
Sale of surplus assets		-	-	-	-
Repayments of loans by community groups		-	-	18	17
<u>Payments</u>					
Expenditure on renewal/replacement of assets		(9,635)	(7,790)	(7,493)	(4,006)
Expenditure on new/upgraded assets		(2,488)	(2,604)	(2,953)	(2,265)
Net cash provided by (or used in) Investing Activities		(12,016)	(10,189)	(9,904)	(5,790)
CASH FLOWS FROM FINANCING ACTIVITIES					
<u>Payments</u>					
Repayments of borrowings		(195)	(195)	(195)	(218)
Net cash provided by (or used in) Financing Activities		(195)	(195)	(195)	(218)
Net increase / (decrease) in cash held		(4,726)	(2,937)	(2,812)	1,482
Cash & cash equivalents at beginning of period	10	6,069	6,069	3,243	4,587
Cash & cash equivalents at end of period	10	1,343	3,132	431	6,069



City of Mount Gambier

Proforma Notes BR2 FY2020, BR1 FY2020, Budget FY2020 and Actual FY2019

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

	FY BR2 2020	FY BR1 2020	FY Budget 2020	2019 Actual
Operating surplus ratio				
<u>Operating surplus</u>				
Total operating revenue	(0.8%)	(0.1%)	(1.1%)	1.4%

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

Net financial liabilities ratio

<u>Net financial liabilities</u>				
Total operating revenue	36%	35%	34%	11%

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

Adjustments to ratios

In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. The adjusted operating surplus ratio adjusts for the resulting distortion in the disclosed operating result for each year.

Adjusted operating surplus ratio	(1.2%)	(0.1%)	(1.5%)	(0.7%)
Adjusted financial liabilities ratio	35%	35%	34%	10%
Asset renewal funding ratio				
<u>Net asset renewals</u>				
Asset Management Plan required expenditure	132%	107%	103%	68%

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



City of Mount Gambier

Proforma Notes BR2 FY2020, BR1 FY2020, Budget FY2020 and Actual FY2019

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.

	FY BR2 2020 \$'000	FY BR1 2020 \$'000	FY Budget 2020 \$'000	2019 Actual \$'000
Income	32,727	32,910	32,362	31,836
Expenses	32,991	32,959	32,604	(31,399)
Operating surplus / (deficit)	<u>(264)</u>	<u>(48)</u>	<u>(242)</u>	<u>437</u>
Net outlays on existing assets				
Capital expenditure on renewal and replacement of existing assets	9,635	7,790	7,493	5,346
Depreciation, amortisation and impairment	(7,655)	(7,447)	(7,331)	(7,424)
Proceeds from sale of replaced assets	116	-	(349)	(359)
	<u>2,096</u>	<u>343</u>	<u>(187)</u>	<u>(2,437)</u>
Net outlays on new and upgraded assets				
Capital expenditure on new and upgraded assets <i>(including investment property & real estate developments)</i>	2,488	2,604	2,953	566
Amounts received specifically for new and upgraded assets	(223)	(205)	(175)	(105)
Proceeds from sale of surplus assets <i>(including investment property and real estate developments and non-current assets held for resale)</i>	-	-	-	359
	<u>2,265</u>	<u>2,399</u>	<u>2,778</u>	<u>820</u>
Net lending / (borrowing) for financial year	<u>(4,625)</u>	<u>(2,790)</u>	<u>(2,833)</u>	<u>2,054</u>



5.3 INTERNAL CONTROLS – REPORT NO. AR20/4370

Committee:	Audit Committee
Meeting Date:	25 March 2020
Report No.:	AR20/4370
CM9 Reference:	AF11/863
Author:	Jeroen Zwijnenburg, Manager Finance and Customer Service
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	This report includes matters of interest to the Audit Committee related to Council’s internal control environment
Community Plan Reference:	Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR20/4370 titled ‘Internal Controls’ as presented on 25 March 2020 be noted.



BACKGROUND

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

A. Budget Process

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

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

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

B. Interim external audit

The interim external audit is one of the internal controls that applies to Council. This report provides an update on the planning related to this.

DISCUSSION

A. Budget process

A powerpoint presentation by Council Administration will provide the Audit Committee with additional information about the budget process and the ensuing discussion will provide the opportunity for feedback and input into the ABP&B process before finalisation of this process.

This information will be generic in nature and includes non-confidential contents, primarily focussed on timelines and process within Council to compile the LTFP, AMP and ABP&B for FY2021. Taking into account that the ABP&B has not yet been released for public consultation it will not include financial parameters.

Audit Committee is advised that Elected Members had a first workshop (Workshop 1) on Tuesday 25 February 2020 and the second workshop (Workshop 2) is planned for Tuesday 24 March 2020.

B. Interim external audit

Council's auditors, Galpins, have confirmed the interim audit time in mid-April (14 & 15 April). As per the audit plan this interim audit includes a focus on IT controls and includes a review of some material processes and transactions.

Regarding the IT controls Galpins has requested us to provide the following information:

- Current Organisation chart for IT
- Current IT policies
- Current IT Strategic Plan
- ICT map of Council's network and servers
- Current Disaster Recovery Plan
- Current Business Continuity Plan
- Security approach to access to your financial systems
- Remote access security measures
- Management of remote access of IT vendors
- Virus and ransomware prevention approach



CONCLUSION

The Audit Committee is advised of, and is provided with the opportunity to provide feedback to Council and Council Administration, on the process and parameters of the FY2021 ABP&B.

ATTACHMENTS

Nil



5.4 AUDIT COMMITTEE - REVIEW OF TERMS OF REFERENCE – REPORT NO. AR20/14500

Committee: Audit Committee
Meeting Date: 25 March 2020
Report No.: AR20/14500
CM9 Reference: AF11/863
Author: Jeroen Zwijnenburg, Manager Finance and Customer Service
Authoriser: Andrew Meddle, Chief Executive Officer
Summary: This report is presented to enable the Audit Committee to review its Terms of Reference
Community Plan Reference: Goal 3: Our Diverse Economy

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR20/14500 titled 'Audit Committee - Review of Terms of Reference' as presented on 25 March 2020 be noted.
2. That the Audit Committee terms of reference be adopted as attached to the Audit Committee Report No. AR20/
with the following changes: - to be determined at the meeting



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. They were last reviewed by the Committee at its meeting on 17 December 2018 and adopted at the Council meeting held on 15 January 2019.

DISCUSSION

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

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

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

The only prepared change in the terms of reference relates to the inclusion of the Annual Report to Council by the Presiding Member of the Audit Committee under item 8.

The Committee may consider recommending to Council for endorsement the terms of reference (Attachment 1), updated for item 8.

The current terms of reference have been attached as well (Attachment 2)

CONCLUSION

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

ATTACHMENTS

1. Terms of Reference - Council's Audit Committee - 25 03 2020 [↓](#)
2. Terms of Reference - Council's Audit Committee - 15/01/2019 [↓](#)





Audit Committee

TERMS OF REFERENCE

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

Terms of Reference for the conduct of the business of the Audit Committee were approved and adopted by the City of Mount Gambier at its meeting held on 21 April 2020.



Audit Committee

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

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



Audit Committee

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1 NAME

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

2 INTERPRETATION

- 2.1 For the purpose of these Terms of Reference, unless inconsistent with the subject matter or context:
- 2.1.1 “Act” means the Local Government Act 1999 and includes all Regulations and Schedules.
 - 2.1.2 “Committee” means the Committee of Council established pursuant to clause 3.
 - 2.1.3 “Committee Member” means the persons appointed by the Council to the Committee pursuant to clause 5.
 - 2.1.4 “Commencement Date” means the date on which the Committee is established and becomes operative pursuant to clause 3.
 - 2.1.5 “Council” means the City of Mount Gambier that established the Committee and to which the Committee reports.
 - 2.1.6 “Presiding Member of the Committee of Council” means the person appointed to that position pursuant to clause 5.
 - 2.1.7 “Observers” means those persons attending any meeting of the Committee of Council, but not having a vote on any matter to be determined by the Committee and not having been appointed as Committee Members.
 - 2.1.8 “Sub-Committee” means a sub-committee established in accordance with the Act.
- 2.2 Any words, phrases or terms used in these Terms of Reference that are defined in the Act shall have the same meaning as are given in the Act.
- 2.3 A reference in these Terms of Reference to a “singular” includes a reference to the “plural” and a reference to a “plural” includes a reference to the “singular”.
- 2.4 These Terms of Reference shall be interpreted in line with the provisions of the Act.
- 2.5 Notices
- 2.5.1 All communication to be given to the Committee shall be addressed to:

City of Mount Gambier Audit Committee
PO Box 56
MOUNT GAMBIER SA 5290
Email: city@mountgambier.sa.gov.au

3 OBJECTIVES

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

4 MEMBERSHIP

- 4.1 Members of the Committee are appointed by Council.



- 4.2 The Committee will consist of at least one independent member with at least one additional member from the Elected Members of Council, consistent with any Regulations. The size of the committee shall be three (3) members.
The Mayor is an ex officio member of the Committee.
- 4.3 Independent member(s) of the Committee must meet at least one of the following minimum requirements for membership:
- Have recent and relevant financial qualifications and/or experience in a relevant financial role
 - Working knowledge of risk management
 - Working knowledge of internal controls
 - Experience with internal and/or external auditing.
- 4.4 Only members of the Committee are entitled to vote (move and second) in Committee meetings. Members of Council's staff may attend any meeting as observers and be responsible for preparing papers for the Committee. In accordance with the principles of open, transparent and informed decision making, Committee meetings must be conducted in a place open to the public. The agenda and minutes of the Committee meetings, subject to any items that are discussed in confidence under Section 90 of the Local Government Act 1999 and subsequently retained as confidential under Section 91 of the Act, are also required to be made available to the public.
- 4.5 Council's external auditors shall be invited to attend a minimum of two (2) meetings of the Committee each financial year. Attendance is at the external auditor's discretion.
- 4.6 Appointments to the Committee shall be for a period of at least two years, reviewed at a common appointment date every two years. The common appointment date for existing appointees is 31 December. Appointees may be reappointed by Council.
- 4.7 Resignation of appointment must be in writing.
- 4.8 Members of the Committee, including the Presiding Member are appointed by Council.

5 ADMINISTRATIVE RESOURCES

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

6 QUORUM

- 6.1 At all Meetings of the Committee a quorum must be present.
- 6.2 A quorum will be determined by dividing by 2 the number of Members formally appointed to the Committee ignoring any fraction and adding 1. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.



7 MEETINGS OF THE COMMITTEE

- 7.1 The Committee have an ordinary meeting at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 7.2 No business shall be transacted at any meeting of the Committee unless a quorum of Members is present.
- 7.3 The Presiding Member, when physically present, shall preside at all meetings of the Committee and at any other time the Committee shall appoint an Acting Presiding Member who shall preside at that meeting.
- 7.4 Each Member of the Committee including the Presiding Member present at any meeting of the Committee must vote on any matter requiring determination and all decisions shall be decided on a simple majority of votes cast.
- 7.5 Each Member of the Committee including the Presiding Member present at any meeting of the Committee shall have one deliberate vote only.

8 PROCEDURES AT MEETINGS

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

9 DELEGATION

- 9.1 The Committee has no delegation to act with all recommendations of the Committee (and of any Sub-Committees established by the Committee) to be considered by full Council for final decision and resolution.



10 MINUTES OF THE COMMITTEE

- 10.1 The CEO or his appointee must cause minutes to be kept of the proceedings of the Committee.
- 10.2 Minutes of the Committee shall be available to all Members of the Committee, Council and the public.
- 10.3 The Minutes of the proceedings of a meeting are to comply with the requirements of the Act.
- 10.4 Minutes of the Committee Meeting shall be submitted for confirmation at the next meeting of the Committee and if confirmed, shall be signed by the Presiding Member or other person presiding at the subsequent meeting.
- 10.5 Minutes of the Committee Meeting and any recommendations (including the minutes and recommendations of any Sub-Committee established by the Committee) shall be submitted to Council and shall be of no effect until endorsed as a resolution of Council.

11 ROLE OF THE COMMITTEE

11.1 Financial reporting and management

The Committee shall:

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

11.2 Internal Controls and Risk Management Systems

The Committee shall:

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

11.3 Whistle blowing

The Committee shall



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

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

The Committee shall:

- 11.4.1 Monitor and review the effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.
- 11.4.2 Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 11.4.3 Review all reports on the Council's operations from the external auditors.
- 11.4.4 Review and monitor management's responsiveness to the findings and recommendations of the external auditors; and
- 11.4.5 Where appropriate, meet the auditor without management being present, to discuss any issues arising from the internal audits carried out. In addition, the external Auditor shall be given the right of direct access to the Mayor of the Council and to the Presiding Member of the Committee.

11.5 External audit

The Committee shall:

- 11.5.1 Develop and implement a policy on the supply of the statutory audit and non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.
- 11.5.2 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.
- 11.5.3 The Committee shall oversee the selection process for new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.



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



12 REPORTING RESPONSIBILITIES

- 12.1 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.
- 12.2 The Committee will provide an Annual Report to Council by the Presiding Member of the Audit Committee, aligned with the Council's financial year.

13 COMMITTEE REQUIREMENTS

- 13.1 The Committee shall:
 - 13.1.1 Have access to reasonable resources in order to carry out its duties.
 - 13.1.2 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.
 - 13.1.3 Give due consideration to laws and regulations of the Local Government Act, 1999, including all amendments and revisions.
 - 13.1.4 Oversee any investigation of activities within these Terms of Reference.
 - 13.1.5 At least once per year, review its own performance.
 - 13.1.6 At least once every two years review its terms of reference.
- 13.2 Sitting Fees for Audit Committee Members are set by Council.

14 AMENDMENTS TO TERMS OF REFERENCE

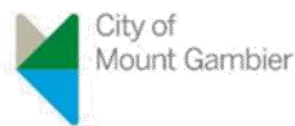
- 14.1 It will be lawful for the Council by resolution to revoke, vary or add to any of the provisions of these Terms of Reference at its own discretion within the parameters of the Act and any other relevant legislation.
- 14.2 At least once every two years the Committee reviews its terms of reference.
- 14.3 Notwithstanding 14.1 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.

15 INTERPRETATION OF TERMS OF REFERENCE

- 15.1 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.

25 March 2020





TERMS OF REFERENCE:
CITY OF MOUNT GAMBIER AUDIT COMMITTEE
(the Committee)

1 Membership

- 1.1 Members of the Committee are appointed by Council.
- 1.2 The Committee will consist of at least one independent member with at least one additional member from the Elected Members of Council, consistent with any Regulations¹. The size of the committee shall be three (3) members.

The Mayor is an ex officio member of the Committee.
- 1.3 Independent member(s)² 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.
- 1.3 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.
- 1.4 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.
- 1.5 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.
- 1.6 Resignation of appointment must be in writing.
- 1.7 Members of the Committee, including the Presiding Member are appointed by Council.

2 Administrative Resources

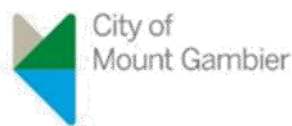
The Chief Executive Officer shall provide sufficient administrative resources to the Committee to enable it to adequately carry out its functions. This includes, but is not limited to:

- Adequate meeting space
- Adequate human resources to prepare agendas, reports minutes
- Connectivity for video conference, skype, internet connection, if required, etc.

¹ Section 126(2) provides that an audit committee may include persons who are not members of Council.

² A person would not be considered independent if he or she was an Elected Member of that Council. Subject to any codes of conduct adopted by Council, this does not preclude an Elected Member or an employee of a Council from being a member of an audit committee of another Council.





TERMS OF REFERENCE:
CITY OF MOUNT GAMBIER AUDIT COMMITTEE
(the Committee)

3 Quorum

The quorum necessary for the transaction of the Committee's business shall be 50% of the number of members³ of the Committee plus one. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4 Frequency of Meetings

The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5 Notice of Meetings

5.1 Ordinary meetings of the Committee will be held at times and places as determined by the Committee. A special meeting of the Committee may be called in accordance with the Act.

5.2 Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee and known observers, no later than three (3) clear days before the date of the meeting.

6 Minutes of Meetings

6.1 The Chief Executive Officer shall ensure that the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance are minuted and that the minutes otherwise comply with the requirements of the Local Government (Procedure at Meetings) Regulations 2013.

6.2 Minutes of the Committee meetings shall be circulated within seven (7) days after a meeting to all members of the Committee and made available to the public.

7 Role of the Committee

7.1 Financial reporting and management

The Committee shall:

7.1.1 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.

7.1.2 Review and challenge where necessary:

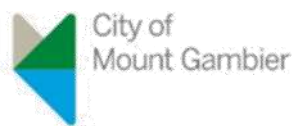
7.1.2.1 The consistency of, and/or any changes to accounting policies.

7.1.2.2 The methods used to account for significant or unusual transactions where different approaches are possible.

7.1.2.3 The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditors.

³ Where calculating 50% results in a fraction, the fraction is dropped. For example, 3 divided by 1 equals 1.5; drop the fraction of 0.5 and the result is 1.
AR11/51413[v6]





TERMS OF REFERENCE:
CITY OF MOUNT GAMBIER AUDIT COMMITTEE
(the Committee)

7.1.2.4 The clarity of disclosure in the Council's financial reports and the context in which statements are made; and

7.1.2.5 All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

7.1.3 Monitor the budgeting process and the process of review of actuals versus budget.

7.1.4 Monitor that budgets are aligned to the Strategic Management Plans.

7.2 Internal Controls and Risk Management Systems

The Committee shall:

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

7.2.2 Review and recommend the approval, where appropriate, of statements to be included in the annual report concerning internal controls and risk management.⁴

7.3 Whistle blowing

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

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

The Committee shall:

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

7.4.2 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.

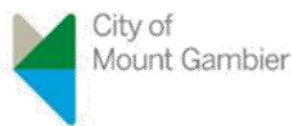
7.4.3 Review all reports on the Council's operations from the external auditors⁵.

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

⁴ It is important that the audit committee understand the business of the Council to appreciate the risks it manages on a daily basis, and to ensure that there are appropriate management plans to manage and mitigate this business risk. This will include insurance matters, financial reporting, legal and regulatory compliance, business continuity, and statutory compliance. This can be facilitated by discussions with the external auditors and by presentations by management on how business risks are identified and managed.

⁵ Note that the reports to the audit committee need not be the detailed reports that are presented to management for their review. Ordinarily a high level review report is all that is required detailing the work undertaken, the findings and management response.





TERMS OF REFERENCE:
CITY OF MOUNT GAMBIER AUDIT COMMITTEE
(the Committee)

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

7.5 External audit

The Committee shall:

7.5.1 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.

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

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

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

7.5.3.1 Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted.

7.5.3.2 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.

7.5.3.3 Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the external auditors, including the provision of any non-audit services.

7.5.3.4 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business).

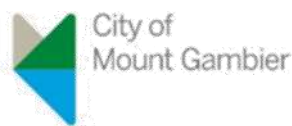
7.5.3.5 Monitoring the external auditor's compliance with legislative requirements on the rotation of audit partners, and

7.5.3.6 Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the Committee's own internal quality procedures).

7.5.3.7 Action(s) to follow up on matters raised by the external auditors.

7.5.4 Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year (without management being present if requested) to discuss the external auditor's report and any issues arising from the audit.





TERMS OF REFERENCE:
CITY OF MOUNT GAMBIER AUDIT COMMITTEE
(the Committee)

7.5.5 Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.

7.5.6 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.

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

7.5.7 Review any representation letter(s) requested by the auditor before they are signed by management⁶.

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

8 Reporting responsibilities

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.

9 Other matters

The Committee shall:

- 9.1 Have access to reasonable resources in order to carry out its duties⁷.
- 9.2 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.
- 9.3 Give due consideration to laws and regulations of the Local Government Act, 1999, including all amendments and revisions.
- 9.4 Oversee any investigation of activities within these Terms of Reference.
- 9.5 At least once per year, review its own performance.
- 9.6 At least once every two years review its terms of reference, to ensure it is operating at maximum effectiveness and recommend changes it considers necessary to the Council for approval.

Sitting Fees for Audit Committee Members are set by Council.

Audit Committee Meeting:	17 December 2018
Last reviewed by the Audit Committee::	19 December 2018
Last adopted by Council:	15 January 2019

⁶ Note that these representation letters are a standard practice of any audit and provide the external auditors confirmation from management, (in particular the Chief Executive Officer) that, amongst other matters, accounting standards have been consistently applied, that all matters that need to be disclosed have been so disclosed and that the valuation of assets has been consistently applied.

⁷ Subject to any budget allocation being approved by Council.
AR11/51413[v6]



5.5 COVID-19 AND COUNCIL'S RESPONSE TO DATE – REPORT NO. AR20/17715

Committee:	Audit Committee
Meeting Date:	25 March 2020
Report No.:	AR20/17715
CM9 Reference:	AF11/863
Author:	Jeroen Zwijnenburg, Manager Finance and Customer Service
Authoriser:	Andrew Meddle, Chief Executive Officer
Summary:	The current COVID-19 pandemic requires a response from Council. This report advises that the Audit Committee will be updated on the current state of Council's response at their upcoming meeting.
Community 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

REPORT RECOMMENDATION

1. That Audit Committee Report No. AR20/17715 titled 'COVID-19 and Council's response to date' as presented on 25 March 2020 be noted.



BACKGROUND

The outbreak of the Coronavirus – COVID-19 – has had a significant impact across the world.

As a Council we have responsibilities to support and protect our staff and communities. It is important that we take steps to plan for the possibility that the outbreak worsens and directly affects the City of Mount Gambier.

DISCUSSION

As the impact of the Coronavirus outbreak as well as Council's response to this outbreak are so fluid the Audit Committee will be updated by a member of the Council's Executive Team at the meeting.

The Audit Committee should note that advice nationally is that councils' primary role is to support the work of State and Federal Government Agencies in their response.

CONCLUSION

A presentation on the Council's current response to this pandemic.

ATTACHMENTS

Nil



- 6 URGENT MOTIONS WITHOUT NOTICE**
- 7 MEETING CLOSE**



**MINUTES OF CITY OF MOUNT GAMBIER
AUDIT COMMITTEE MEETING
HELD AT THE CIVIC CENTRE, 10 WATSON TERRACE, MOUNT GAMBIER
ON MONDAY, 20 JANUARY 2020 AT 5.00 P.M.**

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

OFFICERS IN ATTENDANCE: General Manager City Growth - Ms J Nagy
Manager Finance and Customer Service - Mr J Zwijnenburg
Management Accountant - Ms K Rolton

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: Mayor Lynette Martin

That the minutes of the Audit Committee meeting held on 2 September 2019 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil



5 REPORTS

5.1 INTERNAL FINANCIAL CONTROLS - IMPROVEMENT TASK UPDATE

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR19/43570 titled 'Internal Financial Controls - Improvement Task Update' as presented on 20 January 2020 be noted.

CARRIED

5.2 QUARTERLY BUDGET REVIEWS - AUDIT COMMITTEE UPDATE

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR19/66430 titled 'Quarterly Budget Reviews - Audit Committee Update as presented on 20 January 2020 be noted.

CARRIED

5.3 CRISIS MANAGEMENT ARRANGEMENTS UPDATE

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Angela Kain

1. That Audit Committee Report No. AR19/66672 titled 'Crisis management arrangements update' as presented on 20 January 2020 be noted.

CARRIED

5.4 ANNUAL REPORT 2018-2019

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinac

Seconded: Mayor Lynette Martin

1. That Audit Committee Report No. AR19/68392 titled 'Annual Report 2018-2019' as presented on 20 January 2020 be noted.

CARRIED



5.5 AUDIT COMMITTEE SELF-ASSESSMENT OF PERFORMANCE

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR19/68407 titled 'Audit Committee self-assessment of performance' as presented on 20 January 2020 be received subject to the inclusion of the performed Works Program and the dates and attendance of the Audit Committee meetings for 2018/19.
2. That the Audit Committee record that it is satisfied that its performance is meeting Council and other relevant Authority's standards and expectations.
3. That the Audit Committee includes an 'Annual report to Council by the Presiding member of the Audit Committee' to its Works Program.
4. The Audit Committee recommends that each Audit Committee agenda include a standard agenda item for the review of progress against the works program.

CARRIED

5.6 REVIEW OF EXTERNAL AUDITOR'S PERFORMANCE AND OVERALL EFFECTIVENESS

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec

Seconded: Angela Kain

1. That Audit Committee Report No. AR19/68411 titled 'Review of external auditor's performance and overall effectiveness' as presented on 20 January 2020 be noted.
2. That Audit Committee note the inclusion of the IT Audit and Project Costing controls testing and that additional controls will be included for testing into the 2019/20 External Audit Plan.

CARRIED



5.7 AUDIT RELATED POLICY REVIEWS

COMMITTEE RESOLUTION

Moved: Angela Kain

Seconded: Paul Duka

1. That Audit Committee Report No. AR19/68420 titled 'Audit Related Policy Reviews' as presented on 20 January 2020 be noted.
2. That the Audit Committee endorses the following updated Council Policies as attached to the Audit Committee Report No. AR19/68420 to be adopted by Council:
 - (a) Budget Framework Policy B300
 - (b) Fraud and Corruption Prevention Policy F225
 - (c) Treasury Management Policy T150

CARRIED

5.8 REFORMING LOCAL GOVERNMENT IN SOUTH AUSTRALIA

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Angela Kain

1. That Audit Committee Report No. AR19/70460 titled 'Reforming Local Government in South Australia' as presented on 20 January 2020 be noted.

CARRIED

6 MOTIONS WITHOUT NOTICE

Nil

7 MEETING CLOSE

The Meeting closed at 6.16 p.m.

The minutes of this meeting were confirmed at the Audit Committee held on 23 March 2020.

.....
PRESIDING MEMBER

