

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

Date: Thursday, 9 February 2023
Time: 5.30 p.m.
Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier

AGENDA

Audit and Risk Committee Meeting 9 February 2023



Sarah Philpott
Chief Executive Officer
06 February 2023

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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 FIRST NATIONS PEOPLES HAVE WITH THE LAND.

2 APOLOGY(IES)

That the apology(ies) from Cr Sonya Meziniec be received.

3 CONFIRMATION OF MINUTES

[Audit and Risk Committee Meeting - 6 December 2022](#)

RECOMMENDATION

That the minutes of the Audit and Risk Committee meeting held on 6 December 2022 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 COUNCIL INVESTMENTS AND BORROWINGS – REPORT NO. AR22/60852

Committee: Audit and Risk Committee
Meeting Date: 9 February 2023
Report No.: AR22/60852
CM9 Reference: AF11/863
Author: Julie Scoggins, Manager Financial Services
Authoriser: Darren Barber, General Manager Corporate and Regulatory Services
Summary:

Investments - Council's investments earned \$795 of interest in 2021/22, and the LGFA bonus paid was \$12,459.

Borrowings - At 30 June 2022 were \$23,302,038 including \$6,350,000 in variable cash advance debentures and \$16,952,038 in fixed credit foncier loans.

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 and Risk Committee Report No. AR22/60852 titled 'Council Investments and Borrowings' as presented on 09 February 2023 be noted.



TYPE OF REPORT

Legislative

BACKGROUND

1. **Legislation** - In accordance with Section 140 of the Local Government Act,
A council must, at least once in each year, review the performance (individually and as a whole) of its investments.
2. **Treasury Management Policy Required Reporting** - As detailed in T150 Treasury Management Policy:
At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy document. The report shall highlight:
 - *For each Council borrowing and investment, the quantum of funds, its interest rate and maturity date, interest income/expense and changes in the quantum since the previous report; and,*
 - *The proportion of fixed interest rate (split between interest-only borrowings and credit foncier borrowings) and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across the period along with key reasons for significant changes.*
3. **Holistic Management of Funds** - In accordance with Council's Treasury Policy, funds are managed holistically in accordance with its overall financial sustainability strategies and targets. Funds are not quarantined for particular future purposes, unless required by legislation.
4. **Investments** - Any funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, are invested with the Local Government Finance Authority (LGFA).
5. **Banking Services** - Westpac is the current provider of Council's transactional banking services.
6. **LGFA** - The LGFA is administered by a Board of Trustees, and works for the benefit of Councils and other Local Government Bodies within South Australia. It is not part of the Crown, nor is it an agency or instrumentality of the Crown. All South Australian Councils are automatically members of the LGFA, but use of LGFA services for investments and loans is entirely voluntary. In accordance with Section 24 of the *Local Government Finance Authority Act 1983*, *the Treasurer of South Australia guarantees all of the Authority's liabilities, including monies accepted on deposit from clients.*
7. **Annual Distribution** - Member Councils who support the Authority with deposits, or who use their loan facilities, receive an annual distribution (known as the LGFA Bonus) based on deposit and loan utilisation.



8. **Loan Facilities** - Council loan facilities as at 30 June 2022 were as follows:

Facility	Expiry Date	Interest Rate	Facility Limit	Drawn Down	Available
Credit Foncier 102 (Library)	15/06/2024	5.97%	\$ 1,952,038	\$ 1,952,038	\$ -
Credit Foncier 109 (WRCC)	16/05/2032	4.75%	\$ 5,000,000	\$ 5,000,000	\$ -
Credit Foncier 110 (WRCC)	16/05/2037	4.85%	\$ 10,000,000	\$ 10,000,000	\$ -
			\$ 16,952,038	\$ 16,952,038	\$ -
CAD 104	15/12/2023	2.80%	\$ 1,000,000	\$ -	\$ 1,000,000
CAD CV19 104	17/06/2028	2.05%	\$ 3,200,000	\$ 3,200,000	\$ -
CAD LGIPP 104	17/05/2024	2.05%	\$ 800,000	\$ -	\$ 800,000
CAD 105	17/08/2030	2.80%	\$ 5,000,000	\$ 3,150,000	\$ 1,850,000
CAD 106	15/04/2026	2.80%	\$ 10,000,000	\$ -	\$ 10,000,000
CAD 107	16/08/2026	2.80%	\$ 10,000,000	\$ -	\$ 10,000,000
			\$ 30,000,000	\$ 6,350,000	\$ 23,650,000
Total			\$ 46,952,038	\$ 23,302,038	\$ 23,650,000

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

PROPOSAL

Investments:

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

- LGFA Funds** -The balance of Council funds held at 30 June 2022 was \$276, compared to \$1,797,608 on 30 June 2021. Funds held are minimised to reduce debt levels and subsequent interest charges.
- LGFA Interest/Bonus** - Bonus payment from the LGFA paid in 2021/22 was \$12,459.
- Westpac Account** - Funds are held with Westpac. The balance reported at 30 June 2022 was \$238,323, compared with \$83,398 as at 30 June 2021.

Borrowings:

- Borrowings** - Council borrowings at 30 June 2022 were \$23,302,038, including \$6,350,000 in cash advance debentures at varying rates (detailed in table above) and three fixed term Credit Fonciers (detailed below).
- Cash Advance** - Two additional CAD’s were established during the year within pre-agreed borrowing limits:
 - **CAD 107** - was settled in August 2021 for \$10,000,000.
 - **CAD 108** - settled in February 2022 for \$15,000,000. This was subsequently closed in May 2022 following the settlement of Credit Fonciers 109 and 110.
- CAD Interest Rate** - The CAD standard interest rate at 30 June 2022 was 2.80% (following interest rate increases in May and June 2022). CAD 104 was split in the 2021 Financial year to take advantage of 0.75% reduction that was available to Council. The result of this split is \$4,000,000 at \$2.05% and \$1,000,000 at 2.80% (detailed in the table above).
- Credit Foncier Debt (CF)** - Council had three Credit Foncier loans at 30 June 2022:



- **CF 102** - The existing CF 102 for the Library facility remains with a balance of \$1,952,038 with a fixed interest rate of 5.97%.
- **CF 109** - Was established for \$5,000,000 in May 2022 with a fixed interest rate of 4.75%; and
- **CF 110** - Was established for \$10,000,000 in May 2022 with a fixed interest rate of 4.85%.

5. **Interest Paid** - Interest paid on the borrowings as outlined above in the year ending 30 June 2022 was \$539,215 compared to \$186,513 in the year ending 30 June 2021 aligned with the increase in borrowings in the year.

LEGAL IMPLICATIONS

Local Government Act 1999 Section 140

STRATEGIC PLAN

Borrowings are required as a source of funding to support the delivery of the strategic plan and specifically the Wulanda Recreation and Convention Centre.

COUNCIL POLICY

T 150 Treasury Management Policy

ECONOMIC IMPLICATIONS

Debt modelling was undertaken to inform the debt strategy and associated structure.

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

The Annual Business Plan and Budget includes the estimated borrowings as at the end of the financial year.

VALUE FOR MONEY

Aligned with other SA Councils and previous Council decisions, the LGFA is used as the source of borrowings.

RISK IMPLICATIONS

Risk has been assessed in the debt structure that has been previously presented to Elected Members and the Audit and Risk Committee.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

N/A



CONCLUSION AND RECOMMENDATION

Aligned with legislation and T 150 the Treasury Management Policy it is recommended that this report as presented be noted.

ATTACHMENTS

Nil



5.2 EXTERNAL AUDIT MANAGEMENT REPORT – REPORT NO. AR23/5855

Committee:	Audit and Risk Committee
Meeting Date:	9 February 2023
Report No.:	AR23/5855
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Darren Barber, General Manager Corporate and Regulatory Services
Summary:	To inform the Audit and Risk Committee of the progress against Council’s External Auditor’s recommendations for the 2020/2021 and the 2021/2022 years and the External Audit Plan for the year ending 30 June 2023.
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 and Risk Committee Report No. AR23/5855 titled ‘External Audit Management Report’ as presented on 09 February 2023 be noted.



TYPE OF REPORT

Corporate

BACKGROUND

1. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference is relevant to this report:
 - 12.5.5 **Annual Audit Plan** - Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
 - 12.5.6 **Audit Findings** - Review the findings of the audit with the auditor. This shall include, but not be limited to, the following:
 - A discussion of any major issues which arose during the external audit;
 - Any accounting and audit judgements; and
 - Levels of errors identified during the external audit.
 - 12.5.9 **Management Letter** - Review the management letter and management's response to the external auditor's findings and recommendations. Subsequent to the initial review the Committee will oversee action to follow up on matters raised by the external auditors.
2. **External Auditor Recommendations** - Council's previous external auditor, Galpins Accountants Auditors and Business Consultants, were appointed as Council's external auditor in 2016 and undertook interim and balance date audits over the following 5 years. Recommendations for improvement were put forward by Galpins with follow up actions agreed with Council.
3. **Appointment of External Auditors** - Dean Newbery and Partners were appointed as Council's external Auditors for a period of 5 years commencing with the audit of the financial year ending 30 June 2022.
4. **Audit and Risk Committee Recommendation February 2022** – A report be provided to the Audit and Risk Committee at least on a quarterly basis throughout the financial year to provide an update on the progress against the recommendations raised by the External Auditors.
5. **Interim Audit Visit** - Council's external auditors (Dean Newbery and Partners) undertook an interim site visit in April 2022 in relation to the external audit for the year ended 30 June 2022.
6. **Balance Date Audit** – Council's external auditors (Dean Newbery and Partners) undertook a balance date audit site visit in August 2022 in relation to the external audit for the year ended 30 June 2022.

PROPOSAL

1. **Action Plan** - Council staff have prepared and are continuing to implement an action plan to address the items identified in the Management Reports.
2. **Council's Progress** - This report and its attachments provide an update on Council's progress in implementing the continuous improvement recommendations noted on the 28th February 2022 Audit and Risk Committee Agenda (Attachment 1).
3. **2020/2021 Internal Controls Report** - As shown in Attachment 1 of this report of the five activities highlighted, two have been completed, one is partially completed and two are yet to implemented pending a Business Systems review.
4. **Interim Management Report May 2022 Management Response** - Attachment 2 also shows the progress against the fourteen risks raised can be categorised as follows:
 - **Actions That Are Complete (7 Risks)** - Including User access levels – payroll Masterfile, general journal review, asset revaluation reserve adjusting entry, user access levels –



segregation of duties, payroll and accounts payable back up duties, payroll procedure and procurement exemption register.

- **Actions That Are Partially Complete (7 Risks)** – Including internal financial controls, internal plant hire and full cost attribution, policy register, grants register, Riddoch Art Collection - Curatorial and Preservation Policy and Library books accounting treatment, leases and licences register.
5. **Balance Date Audit 2021/2022** – Two matters were raised to be addressed for future financial years including Caroline Landfill Post Closure Provision Review and Infrastructure Asset Revaluation. These actions have been reviewed and following further consultation the approach and timing of delivery has been changed (details in Attachment 3):
- **Caroline Landfill Post Closure Provision Review** - Further to the resignation of the Manager Waste Management and work currently being undertaken to develop the masterplan with the EPA the required activities will be undertaken in the FY 2024.
 - **Infrastructure Asset Revaluation** - Further to delays in the condition audit works undertaken prior to the revaluation it has been agreed that roads, footpaths and kerbs and guttering asset classes will be included in the FY 2023 and other asset classes in FY 2024.
6. **Audit Plan** - The attached audit plan is aligned with the scope of the external audit engagement as shown below (Attachment 4):

Scope of the Audit:

The scope of the engagement, per Section 129 of the Act includes the audit of the following:

- **Section 129(a):** Council's financial statements for the financial year which is to be prepared in accordance with the requirements under the Act.
- **Section 129(b):** Audit of the controls exercised by Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.

Key Milestones:

- **Audit Plan to Audit and Risk Committee** - February 2023.
 - **Offsite Testing** - April 2023.
 - **Interim Audit Attendance** - May 2023.
 - **Interim Audit Report to Audit and Risk Committee** - June 2023.
 - **Balance Date Audit** - September 2023.
 - **Audit and Risk Committee Review** - October 2023
 - **Council Adoption** – October/November 2023.
7. **Next Update** - The next update will be brought to the Audit and Risk Committee at the March 2023 meeting.

LEGAL IMPLICATIONS

Actions are required to be resolved to ensure compliance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and accounting standards.

Section 129 of the Local Government Act 1999.

STRATEGIC PLAN

N/A



COUNCIL POLICY

[A900 Asset Management Policy](#)

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

[Asset Accounting Policy](#)

[B300 Budget Framework](#)

[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

External audit is a key mitigation action for financial risk.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

CONCLUSION AND RECOMMENDATION

The external audit management reports indicate that overall Council has effective controls in place, with opportunity for improvements noted, action plans established to achieve best practice and progress made to date.

ATTACHMENTS

1. Attachment 1 [↓](#)
2. Attachment 2 [↓](#)
3. Attachment 3 [↓](#)
4. Attachment 4 - Draft External Audit Plan [↓](#)



Attachment 1

Auditor Recommendation or Comment	Risk	Progress	Target Date	Status	Responsibility	Completion Date
2020/21 Internal Controls Letter						
		Executive reporting developed and implemented.	31-Dec-21	Complete	JS	31-Dec-21
Purchase Orders raised after invoices are received	M	Revised procurement policy and recommendations from procurement review presented to Executive, Audit and Risk Committee and Council. Updated policy adopted by Council at the April 2022 Council meeting. Procurement procedures have been reviewed and approved by the Executive.	31-Dec-22	Complete	JS	31-Dec-22
No formal maintenance plans supporting general maintenance strategies per the Asset Management Plan.	L	Asset maintenance programs will be developed following service reviews including a review of required service levels.	31-Dec-23	Partially Complete	BC	
Accounts Payable - Improvements required in process for uploading supplier EFT files into online banking system.	M	A business systems review is scheduled. Any direct interface would need to be considered following completion of the review. As shown in the original response audit checks are already in place that would identify any changes.	30-Jun-23	Not started	JS	
Payroll - Improvements required in process for uploading supplier EFT files into online banking system.	M	A business systems review is scheduled. Any direct interface would need to be considered following completion of the review. As shown in the original response audit checks are already in place that would identify any changes.	30-Jun-23	Not started	JS	



Attachment 2

Ref	Auditor Recommendation or Comment	Risk	Progress	Target Date	Status	Responsibility	Completion Date
2021/22 Interim Management Report							
1	User Access Levels - Payroll Masterfile	H	A review of finance systems access was undertaken by the Manager Financial Services with recommendations provided to the Executive team in June 2022. All payroll processing and ability to make changes to the payroll masterfile has been removed from staff not directly involved in the processing of payroll.	30-Jun-22	Complete	JS	30-Jun-22
2	Internal Control Self Assessment	H	The internal controls policy was reviewed by the Audit and Risk Committee in July and adopted by Council in August. A cross functional team has agreed an approach. A model has been provided by an external consultant with a process to be rolled out in February.	31-Mar-23	Partially Complete	JS	
3	General Journal Review	H	Evidence of journal review was provided to the Auditors for the balance date audit. The responsibility for the raising of journals has been reviewed with recommendations made to the Executive team.	31-May-22	Complete	JS	30-Jun-22
4	Asset Revaluation Reserve - Adjusting Entry	H	The entry was reversed at the year-end and highlighted in the year-end reporting.	31-May-22	Complete	JS	31-May-22
5	User Access Levels - Segregation of Duties	M	A review of finance systems access was undertaken by the Manager Financial Services with recommendations provided to the Executive team in June 2022.	30-Jun-22	Complete	JS	30-Jun-22
6	Internal Plant Hire Rates and Full Cost Attribution	M	Outsourced to external consultant working with the Financial Services team.	31-Mar-23	Partially Complete	JS	
7	Policy Register	M	A quarterly report on policies for review is scheduled in the corporate calendar for presentation to the Executive Leadership Team.	Ongoing	Partially Complete	MM	
8	Payroll and Accounts Payable Back Up Duties	L	Backfill has occurred whilst key staff have been on leave and the procedures have been tested.	31-Dec-22	Complete	JS	30-Nov-22
9	Grants Register	L	A grants schedule was developed in preparation for the year-end process with details of all grants awarded.	31-Mar-23	Partially Complete	JS	
10	Procurement Exemption Register	L	A procurement exemption register was created in April 2022 aligned with the specified requirements. The relevant procurement procedure was amended and presented to the Executive team in June/July 2022 with example reporting. The process has been implemented with training provided to key stakeholders across the organisation.	30-Jun-22	Complete	JS	20-Jul-22
11	Riddoch Art Collection - Curatorial and Preservation Policy	L	Draft policy constructed. To be brought to Audit and Risk Committee in the new calendar year.	31-Mar-23	Partially Complete	JS	
12	Library Assets - Capital vs Operating	L	Revised Asset Accounting Policy included for review at Audit and Risk Committee meeting on 25 July 2022. Change in treatment included in Budget Review 1 taken to the December Council meeting for adoption.	30-Jun-23	Partially Complete	JS	
13	Leases and Licences Register	L	The Lease / Licence Register data entry is now 100% complete and up to date. It will continue to be updated as and when things change. It is available in the RelianSys system for various staff to view, use and add actions for them which will provide them with email notifications when due.	30-Jun-23	Partially Complete	MM	
14	Payroll Procedure	L	Payroll procedures have developed and tested.	31-Dec-22	Complete	JS	31-Dec-22



Attachment 3

Ref	Auditor Recommendation or Comment	Risk	Progress	Target Date	Status	Responsibility	Completion Date
2021/22 Balance Date Audit - Matters to be addressed in future financial years							
1	Caroline Landfill - Post Closure Provision	H	Further to the resignation of the Manager Waste & Reuse, the work currently being undertaken and further conversations with Council's External Auditors the timeline has been extended by one year to ensure that the required works are outsourced and delivered to accurately inform the post closure provision.	30-Jun-24	Partially Complete	BC	
2	Infrastructure - Asset Revaluation	H	Following the progress made by the external contractor to undertake condition audits, develop unit rates and a forward works program it has been proposed that an asset revaluation will be undertaken for the Roads, Footpaths and Kerb and Guttering asset classes with a date of 30 June 2023 followed by a date of 1 July 2023 for other asset classes within this category.	30-Sep-23	Partially Complete	AM/JS	



City of Mount Gambier

External Audit Plan

30 June 2023

DeanNewbery



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Foreword

Mr Paul Duka
Presiding Member - Audit and Risk Committee
City of Mount Gambier
PO Box 56
MOUNT GAMBIER SA 5290

2 February 2023

Dear Mr Duka

We are pleased to present to you our Audit Plan which set out our proposed audit procedures and responsibilities for the 2022/23 financial year audit of the City of Mount Gambier (the Council). Our audit plan is subject to continual review and update as new information and matters arise during the course of the audit. Our proposed audit approach and scope is in accordance with the requirements of the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011*, auditing standards and other applicable professional standards.

Our processes and approach to audit matters will continuously be considered and updated where required to address any changes to the operating environment, identified risks and findings identified from work completed.

Our Audit Plan is tailored specifically to the operations of the Council and places a high emphasis on communicating all audit matters and findings to you and the Elected Members on a timely basis. This document is intended for the Council's Audit and Risk Committee and the Council's Administration only.

I look forward to working with yourself and the other members of the Audit and Risk Committee.

Should you require any further information, please feel free to contact me on the details provided within.

Yours sincerely
DEAN NEWBERY



Samantha Creten
Partner



Key Contacts & Information

Samantha Creten is the Lead Audit Partner appointed to lead the audit team assembled for the engagement. Samantha is highly experienced Local Government Audit Partner who has over 25 years experience auditing the Local Government sector.

The Engagement Manager assisting Samantha, Kyle Harrison is another key contact for the Council and will be managing the field work component of the engagement. Samantha and Kyle are committed to ensuring that a high quality audit service is provided to the Council throughout the term of the engagement.

The engagement team will also be assisted by John Jovicevic to support the audit team on a range of specific audit issues and complex matters as/when they arise.



Samantha Creten
Lead Audit Partner

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Introduction

Purpose of this Document

This document provides an overview of the planned scope and timing of the audit of the financial statements and internal controls for the City of Mount Gambier (**the Council**) for the financial year ending 30 June 2023.

Audit Objectives

The objective of the audit process is to undertake the necessary work that will enable us to form an opinion per the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* as to whether:

- the financial report is prepared, in all material respects, in accordance with the Australian Auditing Standards and the *Local Government Act 1999* (the Act) and applicable Regulations; and,
- controls exercised by the Council in relation to the receipts, expenditure and investment of moneys, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide assurance that the financial transactions of the council have been conducted properly and in accordance with law. The opinion is to be based on the criteria established in the *Better Practice Model – Financial Internal Control* issued by the Local Government Association of South Australia.

All audit procedures have been designed to be carried out by our audit staff to provide us with reasonable assurance that the financial report, as a whole, is free from material misstatement.

Scope of the Audit

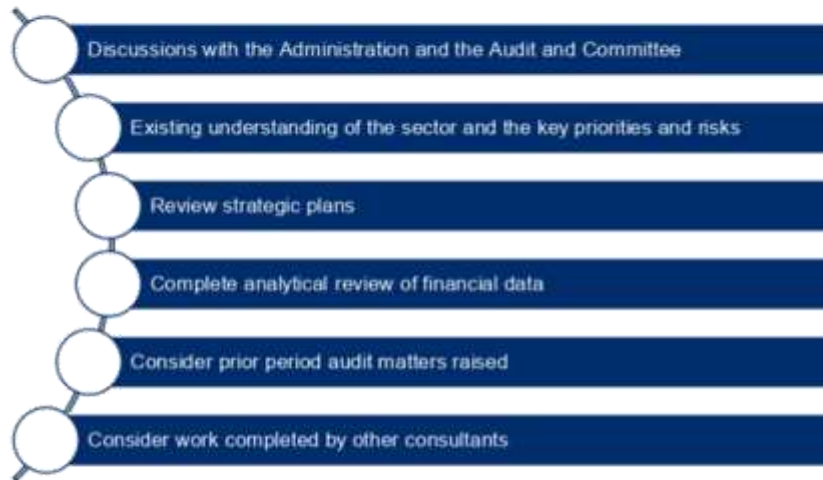
The scope of the engagement per the Act includes the audit of the following:

- Section 129(a): Council's financial statements for the financial year which is to be prepared in accordance with the requirements under the Act.
- Section 129(b): Audit of the controls exercised by Council in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities.
- The audit of acquittal statements as required, e.g. the Local Government Workers Compensation Scheme Actual Wages Declaration for the year ending 30 June 2023.

Audit Strategy

We follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the Council. This approach ensures that our audit focuses on the areas of highest assessed risk.

Our initial planning of the our audit is based on undertaking the following:



In undertaking the initial audit planning tasks, we aim to achieve the following outcomes:



Materiality

Auditors use materiality to assist with making a judgement of the amount of work needed to be performed on specific balances and to evaluate the effect of misstatements on the financial report. In considering what could potentially be deemed as material, our audit considers factors which may influence the decisions of intended users and accordingly, both quantitative and qualitative matters are taken into consideration.

Materiality is therefore considered in the context of its potential impact on the decision making of intended users of the financial report and if the financial information individually or in aggregate was misstated, omitted and/or not disclosed. Materiality is initially calculated at the commencement of the engagement during the planning stage and subsequently reassessed as additional information is obtained during the audit up until the time of issuing the audit opinion. As part of our communication strategy, we will communicate to you any material and, potentially non-material matters that may have other business improvement or governance related benefits, during the course of the engagement when matters arise through our audit correspondence issued.

Internal Controls

A key component to the audit work we undertake is gaining an understanding of the internal controls in operation that is relevant to assisting us with our risk assessment procedures. In testing the effectiveness of controls, we gather evidence by employing the following techniques:

- Inspection of systems
- Observation of control operating
- Inquire of control operations results
- Recalculation and/or re-performance of control
- Assess the Council's risk assessment process

The objective of the test of controls is to obtain evidence as to whether controls operated as intended to mitigate identified risks.

Should we become aware of any significant deficiencies or consider there to be areas where controls could be further strengthened/improved, we will communicate these matters to the Audit and Risk Committee and Administration.

Fraud

Our audit is not designed nor intended to detect whether there is any fraudulent activity occurring however, should we become aware of it, we will ensure to report any matters. As part of our audit procedures, we make enquiries of the Administration and those charged with governance to identify any instances of known or suspected fraud.

As part of considering fraud, we also consider the risk of management overrides of controls.

Key Areas of Audit Focus

Based on our existing knowledge of the Council and the Local Government sector, we have identified the matters we think present the risk to potential material misstatements in the financial report. Our audit procedures are designed to focus our testing and review of controls on these assessed risk areas based on a risk based approach. Throughout the engagement, we will continue to monitor and assess our risk assessment to ensure that we factor in any additional testing necessary to consider additional risk areas deemed required to be included in our audit testing.

We have highlighted below the risks we have identified along with our planned approach to respond to those risks as part of the audit work we plan to undertake.

Focus Area	Audit Approach	Planned Response
Treatment of Grants	Substantive test	Review key assumptions applied to the recognition and treatment of grant income to ensure appropriate recognition and classification (operating versus non-operating) of income in accordance with AASB 1058 <i>Income of Not-for-Profit Entities</i> and the Model Financial Statements.
Management override of Controls	Substantive/Controls test	This is a risk that is a required presumption under the Australian Auditing Standards. Our procedures will involve a review of internal controls and test for any unusual transactions within our samples to determine if any transactions do not appear to be within normal business operations/parameters.
Operating Expenditure	Substantive test	Given the material nature and large volume of transactions processed by the Council, a review of controls operating will be reviewed and assessed. Substantive audit procedures will be used to test the substance of transactions recorded to examine the accuracy, completeness and timing of transactions recorded. Our testing includes consideration over the assumptions and data used to process payroll transactions and provisions recorded.
Depreciation	Substantive test	Our procedures will review the assumptions and estimates applied in calculating depreciation expense to ensure that it is in line with adopted policies of the Council and meets the requirements of the accounting standards.

Key Areas of Audit Focus

Focus Area	Audit Approach	Planned Response
Caroline Landfill Capping and Post Closure Rehabilitation Provision (Liability)	Substantive test	<p>Enquire of the Administration what work has been undertaken since the completion of the FY22 external audit to address previous audit matters raised. Assess the work undertaken to review and update the provision recorded on the Balance Sheet to ensure the liability accurately reflects the estimated future obligation of the Council to cap and remediate the landfill site in accordance with the requirements of its EPA license requirements.</p> <p>We will engage with external consultants engaged by the Council to assist with this review to gain an understanding of the key assumptions and estimates included in liability estimates and assess the appropriateness of disclosures included the financial statements.</p>
Infrastructure Asset Condition Assessments and Valuations	Substantive test	<p>Our procedures will incorporate engagement with the Administration to review data collected through asset condition audits completed and ensure they are correctly applied to asset valuation and depreciation calculations. We will obtain valuation reports provided by external valuers and perform a combination of substantive and analytical procedures to assess the appropriate recognition and disclosure of asset valuation data.</p>
Accounting for Work in Progress (WIP)	Substantive test	<p>Risk that accounting treatment applied to capital WIP transactions is not in line with accounting standards and that a material error is recorded in the financial statements. Our procedures will review the appropriateness of transactions that are capital in nature to ensure they are correctly recorded. Our testing will include examining the ageing of WIP transactions to ensure that the costs being carried as WIP relate to current/ongoing projects that will result in an eventual asset being recorded.</p> <p>Review capitalisation recorded for Wulanda Recreation & Contention Centre facility to review appropriateness of asset componentisation, allocation of cost per component, commencement of depreciation and the allocation of borrowing costs to the cost of the asset.</p>

Audit Timetable

Our audit timetable has been formulated based on information obtained from the Administration along with our existing knowledge of the level of work required to be undertaken to form the audit opinion required by the Act.

A summary of our stages of the audit program and expected milestones has been summarised below. Should there be any changes to the expected timetable below, this will be communicated with the Administration and the Audit and Risk Committee.

Key Audit Milestones	Timeframe
Submission of Audit Plan to the Audit and Risk Committee	February 2023
Commencement of Interim Audit (Off-Site Testing)	April 2023
Interim Audit (On-Site Attendance)	May 2023
Interim Management Report issued to the Audit and Risk Committee	June 2023
Balance Date Audit requirements checklist to be provided to the Council	June 2023
Balance Date Audit requirements to be provided to auditors	July 2023
Draft financial statements to be provided to auditors	September 2023
Balance Date audit attendance to commence	September 2023
Exit Meeting with the Administration	October 2023
Meet with Audit and Risk Committee	October 2023
Audit Report and Independence Declarations to be issued by auditors	October 2023



Communication Strategy

Our Management Letters/Reports are issued at the conclusion of each audit attendance and we will ensure to provide comments and findings as a result of testing completed on key matters reviewed. Our approach is for our Management Letters/Reports to provide only constructive feedback to any audit findings as required by Australian Auditing Standards.

All Management Letters/Reports will be provided as draft reports to the Administration for their review and comment prior to issuing a final version.

External Confirmations

To assist with the gathering of audit evidence necessary to complete the audit, we will be sending the following confirmation requests:

- External bank confirmations for all bank accounts, loans and products (including credit cards)
- Solicitor's representation letter
- Local Government Finance Authority (LGFA) balance confirmations
- External Asset Valuation(s) (where applicable)

Independence

Our audit is required to be conducted to comply with the following independence requirements:

- *Local Government Act 1999*
- *Local Government (Financial Management) Regulations 2011*
- APES 110 – Code of Ethics for Professional Accountants

As part of our audit procedures, we obtain independence declarations from all engagement staff to confirm that all engagement team members meet the above standards prior to the commencement of working on the engagement. We will annually provide the Council with confirmation that we have met with our independence requirements as required by the above legislation and standards.

Should any situation arise where we become aware that an issue over our independence, we will communicate this immediately to the Chief Executive Officer and Audit and Risk Committee.

We confirm that Dean Newbery has not provided any other services to the Council as at the time of preparing this Report.

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6 MEETING CLOSE



**MINUTES OF CITY OF MOUNT GAMBIER
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE LEVEL 4 COMMITTEE ROOM, CIVIC CENTRE, 10 WATSON TERRACE,
MOUNT GAMBIER
ON TUESDAY, 6 DECEMBER 2022 AT 4.00 P.M.**

PRESENT: Mr Paul Duka (Presiding Member) (virtual), Mayor Lynette Martin (OAM), Cr Sonya Meziniec, Mr Alexander Brown (virtual), Ms Belinda Johnson

OFFICERS IN ATTENDANCE: Chief Executive Officer - Mrs S Philpott
General Manager Corporate and Regulatory Services - Mr D Barber
Manager Financial Services - Mrs J Scoggins
Executive Administrator - Mrs S Dohnt
Acting Manager Organisational Development - Ms Leanne Little

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 FIRST NATIONS PEOPLES HAVE WITH THE LAND.

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Cr Sonya Meziniec

That the minutes of the Audit and Risk Committee meeting held on 26 September 2022 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil

5 REPORTS

5.1 CORRESPONDENCE RECEIVED

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Belinda Johnson



1. That Audit and Risk Committee Report No. AR22/72224 titled 'Correspondence Received' as presented on 06 December 2022 be noted.

CARRIED

5.2 RISK REPORT - SEPTEMBER 2022

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR22/68368 titled 'Risk Report - September 2022' as presented on 06 December 2022 be noted.

CARRIED

5.3 WORK HEALTH, SAFETY AND WELLBEING - SEPTEMBER 2022

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin
Seconded: Cr Sonya Mezinec

1. That Audit and Risk Committee Report No. AR22/68371 titled 'Work Health, Safety and Wellbeing - September 2022' as presented on 06 December 2022 be noted.

CARRIED

5.4 REVIEW OF AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR22/65115 titled 'Review of Audit and Risk Committee Terms of Reference' as presented on 06 December 2022 be noted.
2. That the Audit Committee:
 - (a) Authorises the General Manager Corporate and Regulatory Services in liaison with the Presiding Member to make any minor amendments to the draft Audit and Risk Committee Terms of Reference that the Committee identifies and to then finalise the document; and
 - (b) Recommend to Council that the draft Audit and Risk Committee Terms of Reference be adopted.

CARRIED



5.5 SELF-ASSESSMENT OF PERFORMANCE AUDIT AND RISK COMMITTEE

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec
Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR22/77367 titled 'Self-assessment of Performance Audit and Risk Committee' as presented on 06 December 2022 be noted.
2. That the Audit and risk committee:
 - (a) Authorise the General Manager Corporate and Regulatory Services in liaison with the Presiding Member to make any minor amendments to the attached draft Audit and Risk Committee Self-Assessment Annual Report 2021/2022 that the Committee identifies and to then finalise the document; and
 - (b) Recommend to Council that the Audit and risk committee's Self-Assessment Report for 2021/2022 be adopted.

CARRIED

5.6 AUDIT AND RISK COMMITTEE WORK PROGRAM & MEETING SCHEDULE 2023

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR22/77371 titled 'Audit and Risk Committee Work Program & Meeting Schedule 2023' as presented on 06 December 2022 be noted.
2. That recommended meeting months (below) supplied by the Audit and Risk Committee be adopted by council, noting that the meeting dates are subject to change, including if an additional meeting is required:
 - (a) February 2023;
 - (b) March 2023;
 - (c) May 2023;
 - (d) July 2023;
 - (e) October 2023; and
 - (f) November 2023.
3. That the draft work program as reviewed by the Audit and Risk Committee for the calendar year 2023 (attached) be adopted, noting the meeting months and schedule are subject to change, including if an additional meeting is required.

CARRIED

5.7 EXTERNAL AUDIT MANAGEMENT REPORT

COMMITTEE RESOLUTION

Moved: Alexander Brown



Seconded: Cr Sonya Mezinac

1. That Audit and Risk Committee Report No. AR22/77370 titled 'External Audit Management Report' as presented on 06 December 2022 be noted.

CARRIED

5.8 ASSET ACCOUNTING POLICY REVIEW

COMMITTEE RESOLUTION

Moved: Belinda Johnson
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR22/82159 titled 'Asset Accounting Policy Review' as presented on 06 December 2022 be noted.
2. That the Asset Accounting Policy as attached to Report No. AR22/82159 having been reviewed by the Audit and Risk Committee on 6 December 2022 be adopted.

CARRIED

6 MOTIONS WITHOUT NOTICE

Nil

7 MEETING CLOSE

The Meeting closed at 5.02 p.m.

The minutes of this meeting were confirmed at the Audit and Risk Committee.

.....
PRESIDING MEMBER

