

AGENDA

Audit and Risk Committee Wednesday 2 April 2025



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

Time: 5:30 pm
Date: Wednesday 2 April 2025
Location: Council Chamber - Civic Centre
10 Watson Terrace, Mount Gambier



Sarah Philpott
CHIEF EXECUTIVE OFFICER
28 March 2025

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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 APOLOGIES

Nil

3 CONFIRMATION OF MINUTES

3.1 CONFIRMATION OF MINUTES

RECOMMENDATION

That the minutes of the Audit and Risk Committee Meeting held on 5 February 2025 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE

5 REPORTS

5.1 LEASE AND LICENCE UPDATE

Author: Brittany Shelton, Manager Governance and Property

Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Lease and Licence Update' as presented on Wednesday 2 April 2025 be noted.

PURPOSE

To update the Audit and Risk Committee on the situation of, and progress towards renewals for, leasing / licensing and other occupancy arrangements in accordance with the resolution made in June 2023.

TERMS OF REFERENCE

Section 126 (1a) of the *Local Government Act 1999* (the Act) states that the purpose of an audit and risk committee established by a council (the Committee) is to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.

Part 1.3 of the relevant Terms of Reference sets out the functions of the Committee, in particular:

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

(h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis."

RELEVANT LEGISLATION

Local Government Act 1999

SUMMARY OF IMPLICATIONS AND BENEFITS

Implications

- Whilst Council's community and sporting leases and licences have social / community implications, there are no recommendations or actions arising from this update report that have any social implications, with tenants currently 'holding over' on the same terms and conditions.
- The use of 'holding over' provisions as contained in standard lease and licence agreements manages the legal risk of agreements 'expiring' with no continuing contractual arrangements, with the resulting 'monthly tenancies' being on the same terms and conditions as the original lease, in the same manner as a renewal term.
- The community and political risk associated with 'holding over' provisions lies in the security / perception of tenure for sporting and community tenants.

Benefits

- Cost efficiency gains (and resource efficiency) as a result of structured approach to land management (i.e. occupancy arrangements) with respect to fees, maintenance and capital renewals.
- Consistent and transparent approach for all tenants, improving the trust and accountability of Council in the community (fairness and parity, stakeholder relationships).
- Robust governance framework around community land, ensuring all legislative obligations are consistency met.
- Strategic approach taken to maximise use / investment in community facilities, as a result of resourcing gains acquired and clear 'vision'.

BACKGROUND / OPTIONS

At the June 2023 Audit and Risk Committee Meeting, the Committee requested that a progress report regarding leases/licences (and mandatory policies) be brought back every 6 months.

Lease and Licence update reports were provided to the November 2023, April 2024, July 2024 and November 2024 Audit and Risk Committee meetings, with the next 6 monthly update report due in April 2025.

The April 2024 update report noted a proposed methodology for the renewal of leases and licences, in conjunction with the preparation and implementation of a considered Strategic Property Management Project Plan, that the renewal of leases / licences in the short-medium term will be guided by an order of priority endorsed by Council, as follows:

- Sites identified as priority for master planning Yr1/Yr2 – renewal deferred until complete
- Sites identified for master planning in Yr3/Yr4 – renewal prioritised for granting 3-5 year terms

In receipt of the April 2024 update report from the Audit and Risk Committee Council subsequently resolved as follows at its April meeting:

2. *That Council's resolved position of 'a strategic approach to property management issues guided by a Sport, Recreation and Open Space Plan and associated site/precinct/property category master plans including Tourism Assets Master Plan and Blue Lake Sports Park Master Plan', be noted.*
3. *That the renewal of 'holding over' leases and licences occur, following Council's prioritisation of strategic site/precinct master planning to be conducted over the coming years, and taking into account other relevant factors, be noted.*

Further, in consideration of master plan options, also at the April 2024 meeting, Council resolved:

2. *That Council determines a priority order of master plans for the following sites:*
 - *Vansittart Park*
 - *Umpherston Sinkhole / Balumbul*
 - *Olympic Park*
 - *Hastings Cunningham Reserve*

A review of the renewal implications for 'holding over' leases and licences was necessary following Council's formal prioritisation of master plans, and the proposed renewal methodology anticipated in conjunction with that prioritisation.

Council has prioritised Vansittart Park and Umpherston Sinkhole / Balumbul for master planning in Yrs 1/2. At the current time Council has only one 'holding over' tenancy between these two sites, being the Annual Seasonal Licence for North Gambier Football Club.

The proposed methodology for lease and licence renewal being to defer renewal of tenancies associated with sites prioritised for master planning in Yr 1/2, and prioritising the renewal of tenancies for 3-5 years terms for sites identified for master planning in Yrs 3/4 (or not otherwise identified for master planning in the medium term). The resultant outcome is that ALL of Council's tenancies that are currently 'holding over' are effectively now prioritised for renewal.

The earlier update report and Council resolution also noted that renewal of 'holding over' leases and licences occur taking into account other relevant factors. The relevant contributing factors for the renewal of certain leases and licences were identified in the earlier report as including, in some cases combinations of, the following:

- pending Crown Land dedication
- pending review / adoption of Community Land Management Plan
- Adoption / direction in other guiding documents / plans (e.g. Crater Lakes Activation Plan, Tourism Assets Master Plan, Visitor Servicing Model)
- review of tenants operating / governance model
- status of unsolicited proposal/s
- other site, precinct, asset and tenant matters

The prioritisation of master planning and the adoption of a lease and licence renewal methodology does not, on its own, resolve these other contributing factors.

The following sites / precincts have been targeted, and draft Lease / Licences agreements finalised and provided to tenants for execution:

- Hastings Cunningham (12),
- Basketball Mount Gambier,
- Stand Like Stone,
- Mulga Street Children's Contact Centre,

- Dimjalla Skatepark,
- Blue Lake Sports Park (7),
- Kefi Supports Pty Ltd

Several of the Hastings Cunningham Reserve tenancies are located on a Crown Land which require Crown Land (Ministers) approval and inclusion of any Crown requirements or conditions, which approval and requirements have been requested and obtained as a pre-condition to lease or licence renewal.

Of the remaining 'holding over' leases and licences, the previous update report included a table listing the number of tenancies for which lease or licence renewal is affected by other contributing factors. This table is updated as follows:

Contributing Factor	No. of leases / licences affected	Other Comments
Pending Crown Land dedication	1	Lake Terrace West Cemetery
Adoption/update of community land management plan(s)	13	Includes CLMP's for the following: <ul style="list-style-type: none"> • Crater Lakes (inc. Marist Park) • Olympic Park • Frew Park (negotiations commencing) • Corriedale Park
Other tenancy related matters	10+	Including: <ul style="list-style-type: none"> • Constitution / governance / operating model review • Unsolicited proposals • Consolidation of multiple licences into single licence • Other tenant obligations • BLSP Implementation Plan

Whilst these varying contributing factors remain unresolved Council is not in a position to negotiate or grant renewed leases or licences for these premises or tenancies.

In total, the number of occupancy arrangements on holding over has been reduced from forty-five (45) to twenty-five (25). Three (3) of the remaining agreements on holding are as a result of tenants indicating they will not be entering into a new arrangement, however are not yet in a position to vacate their respective premises, and therefore will remain on the holding arrangement until such time as they voluntarily terminate their agreements.

Further, where there are identified deficiencies with the relevant community land management plan, (i.e., not sufficiently providing for leasing or licensing for the proposed purposes) Council is constrained from granting renewed lease or licence arrangements notwithstanding that such arrangements have previously been granted.

Accordingly, of the remaining leases and licences currently on 'holding over' arrangements, those which are capable of being progressed for renewal (some subject to Crown Land / Ministers consent and conditions) are being triaged and worked through, whilst others require bodies of work to be undertaken to resolve the other contributing factors before they may be renewed.

These are matters to be addressed in a Strategic Property Management Project Plan for which organisational planning, resourcing and actions are necessary. This Project Plan was prepared and presented to the Strategic Management Team meeting of 25 November 2024 where it was adopted. Once some of the preliminary assessment work on this project has

been undertaken, establishing the requisite property management structures and attending to the current 'impediments' to occupancy will be prioritised. A land register has been developed and published on the website, and key workstreams are progressing well.

DETAILED IMPLICATIONS

Legal	Leasing and licensing of community land must be conducted in accordance with the relevant provisions in the Local Government Act 1999 (and other relevant legislation relating to leasing and licensing, e.g. Retail and Commercial Leases Act). Community land leasing/licensing arrangements must be in accordance with the provisions of relevant Community Land Management Plans, guided by and consistent with the master planning of open spaces and precincts that help give effect to Council's Objects, Role, Functions and Principles set out in sections 3, 6, 7 & 8 of the Act.
Financial and Budget	N/A
Other Resources	The main direct resourcing issues associated with the renewal of leases and licences is in the preparation of documents and negotiation/execution, which can be managed over time within current resourcing. However, this does not address any resulting resources that may arise from tenant expectations in the process of renewing a lease/licence. However, the standard terms and conditions of Council's community/sporting leases and licences place primary responsibility for leased/licensed premises upon the tenant in recognition of/exchange for the 'community' or 'peppercorn' nature of the rent. Further, the above does not include any further organisational resourcing to address other bodies of work, such as redrafting and public consultation to update community land management plans, review of constitution and governing/operating models, and the preparation, adoption and implementation of property management frameworks and supporting policy amendments. These resourcing matters are to be addressed in a Strategic Property Management Project Plan.

RISK ANALYSIS

Consequence	Consequence Rating:	Risk Likelihood Rating:	Risk Rating	Risk Controls and effectiveness	Risk Mitigation Plan
Finance	Insignificant (1)	Unlikely (2)	Low	Occupancy arrangements designed with cost recovery in mind, internal resource is utilised to negotiate and draft agreements	Indirect cost benefits / efficiency gains explored by Strategic Property Management Project
Reputation	Moderate (3)	Unlikely (2)	Moderate	Targeted community engagement including with relevant stakeholders has been	Relationship building / rapport with tenants prioritised (trust / accountability)

				identified as a priority in implementing the Strategic Property Management Project	
Legal / Regulatory / Policy	Moderate (3)	Unlikely (2)	Moderate	Experienced staff with nuanced understanding of obligations under various legislation, use of LGA guides / models / templates, use of legal advice on retainer as required	Engagement with subject-matter experts as required (e.g. Crown land, SANTS etc)
Service Delivery	Insignificant (1)	Rare (1)	Low	Proactive maintenance schedules, Strategic Management Property Project to address renewals	Residual risk not outside of tolerance, no additional treatments recommended
People	Insignificant (1)	Unlikely (2)	Low	Proactive maintenance schedules, Strategic Management Property Project to address renewals	Residual risk not outside of tolerance, no additional treatments recommended
Infrastructure	Moderate (3)	Rare (1)	Low	Proactive maintenance schedules, capital improvements grants available, condition audits, insurance requirements for tenants	Consideration of insurance and maintenance models via the Strategic Property Management Project
Environmental	Minor (2)	Rare (1)	Low	Parks and gardens maintenance of key sites, obligations under occupancy arrangement	Residual risk not outside of tolerance, no additional treatments recommended

RELEVANT COUNCIL POLICY

[Community Land \(Reserves\) Lease/License/Rental Arrangements - R200](#)

Council's R200 - Community Land (Reserves) Lease/Licence/Rental Arrangements Policy relates to leases and licences (and in some cases grounds maintenance) of community land, subject to the Council resolution committing to a strategic approach to property management issues, and other relevant legislative and regulatory provisions including those relating to fees and charges.

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

An engagement/communication strategy may be prepared to address the prioritisation of master planning and lease/licence renewal directly with affected tenants/stakeholders.

As set out in the proposal, implementation of lease/licence renewals is proposed on a priority basis inversely aligned with the Council's priorities for strategic master planning of sites/precincts.

CONCLUSION

Further updates are to be provided to the Audit and Risk Committee on a six-monthly basis.

ATTACHMENTS

Nil

5.2 POLICY UPDATE

Author: Brittany Shelton, Manager Governance and Property
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Policy Update' as presented on Wednesday 2 April 2025 be noted.

PURPOSE

To update the Audit and Risk Committee on the situation of, and progress towards reviews, for 2022-2026 policy review schedule in accordance with the resolution made in June 2023.

TERMS OF REFERENCE

Section 126 (1a) of the *Local Government Act 1999* (the Act) states that the purpose of an audit and risk committee established by a council (the Committee) is to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.

Part 1.3 of the relevant Terms of Reference sets out the functions of the Committee, in particular:

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

(h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis."

RELEVANT LEGISLATION

Local Government Act 1999

SUMMARY OF IMPLICATIONS AND BENEFITS

Implications

- Policies that are non-compliant with legislative requirements or do not reflect current practices increases Council's exposure and also reduces transparency / accountability of decision-making processes.
- Significant delay or stagnation in review schedules may lead to inefficiencies and / or incorrect decisions, operations or functions being carried out, reducing resource efficiency.

Benefits

- A regular periodic review schedule is one of the controls Council's employs to ensure Council is compliant with mandatory policies and codes under by the Local Government Act 1999 (the Act).
- Policies provide transparency and accountability measures for our community and ensure appropriate management of public funds.
- Regular reporting on outstanding policies to the Audit and Risk Committee and Council similarly ensures transparency and accountability and provides a level of assurance for the decision-making body.

BACKGROUND / OPTIONS

At the June 2023 Audit and Risk Committee Meeting, the Committee requested that a progress report regarding mandatory policies be brought back every 6 months. Policy update reports were provided to the November 2023, April 2024, July 2024 and November 2024 Audit and Risk Committee meetings, with the next 6 monthly update report due in April 2025.

In consideration of the Policy Review update report, at its April 2024 meeting, Council resolved:

2. *That the Council Administration conduct periodical reviews of Council policies to ensure compliance with legislative requirements, with the aim of presenting for consideration any other policies to Council at least once during the Council term.*

The following list of mandatory policies under the *Local Government Act 1999* (the Act) is provided for reference:

Mandatory Policy	Section of Local Government Act 1999	Council Policy Adopted / Last Reviewed
Prudential Management	section 48(aa1)	September 2023
Procurement	section 49(a1)	December 2023
Contracts and Tenders	section 49(1)	Included in s49(a1) Procurement Policy
Public consultation	section 50	April 2020 Pending State Govt Community Engagement Charter/ LGA Policy Template following 2021 LG Reform
Member Training and Development	section 80A	November 2022
Rating Policies	section 150	June 2024
Internal Controls	section 125(1)	September 2023
Risk Management	section 125(3)	June 2024
Road and Place Naming	section 219(5)	March 2024
Order Making	section 259	May 2024
Behaviour Management	section 262B	September 2023
Internal Review of Council Actions and Complaint Handling	section 270(a1)	December 2024
Caretaker	section 91A (Elections Act)	January 2022

It is noted that the above table does not include policies as may be required under other legislation, nor does the list include other 'policy like' documents such as Codes, Charters, Plans, Registers etc as are required to be maintained under the Act and other legislation.

As indicated in the above (updated) table, all mandatory policies required by the Act are in place and have been reviewed in the current Council term with the exception of:

1. Public Consultation Policy - pending the completion of a Community Engagement Charter by the State Government and the development/update of a Template / Model Policy by the Local Government Association, necessitated by local government reform changes in 2021.

Since the last policy review update, policy reviews have been conducted as follows:

April 2024

- Nil

May 2024

- Grants and Sponsorship Policy
- D230 Donations Authority to Approve Requests (rescinded)
- O110 - Order Making
- R180 Records Management
- Library Collection Development (new)
- H120 Historical Matters – Collection (rescinded)
- H125 Historical Matters - Copyright - Les Hill Collection (rescinded)

June 2024

- R105 Rating Policy
- R155 Rate Rebate Policy
- R130 Rates General Matters (rescinded)
- Asset Accounting Policy
- Risk Management

July 2024

- Public Interest Disclosure Policy

August 2024

- U900 Unsolicited Proposals
- R200 Community Land (Reserves) - Lease / Licence / Rental Arrangements
- F225 Fraud, Corruption, Misconduct and Maladministration Prevention Policy
- Onsite Wastewater Systems previously titled B150 - Building - Sewer Connections, Waste Management Control and Provision of Toilet Facilities
- D150 Building and Swimming Pool Inspections (rescinded)
- M225 Members - Service Recognition (rescinded)

September 2024

- W125 Waste Management - Kerbside Refuse Collection

October 2024

- M405 Members - Allowances, Reimbursements, Benefits and Facilities
- M270 Members - Mayor Seeking Legal Advice

November 2024

- Code of Practice for Meeting Procedures (formerly Council Determined Meeting Procedures)
- C290 Internal Review of Council's Decisions
- C200 Request for Service and Complaint Procedure
- Emergency Management Policy
- T150 Treasury Management

December 2024

- Nil

January 2025

- Nil

February 2025

- Policy B300 Budget Policy

Accordingly, as at March 2025 six (6) of Council's seventy-eight (78) policies remain due for review / updating, including the abovementioned one identified as a mandatory policy.

Date Due for Review	Responsible General Manager	Policy	Policy Authority	Comments
1/04/2023	GMPL	P195 - Community Consultation and Engagement Policy	Council	Pending an updated LGA Template/Model Policy following LG Reform Bill, which in turn is pending State Government finalisation of Statewide LG Community Engagement Charter (CEC).
1/08/2023	GMCRS	L130 - Land Divisions	Council	Pending transfer to City Infrastructure.
1/11/2023	GMPL	A240 - Assemblies and Events on Streets and Other Council Land	Council	Pending ministerial advice on legislation reform.
1/12/2023	GMCRS	Unreasonable Conduct	Council	Interactions related to internal reviews, service requests, and complaints. Therefore, it is recommended that these be reviewed and presented to the Council together after each has been aligned with the LGA Model. Internal arrangements to discuss review / practical implementation with relevant staff is underway.
1/04/2024	GMCI	A900 Asset Management	Audit & Risk Committee	Due for presentation to the June Audit Committee
1/09/2024	GMCI	Memorials	Council	Pending review

Seven (7) further policies have a scheduled review date falling between now and November 2025, when the next six-monthly policy review report is due for presentation to the Audit and Risk Committee. Only nine (9) further policies will fall due for review during the remainder of the current Council term until November 2026, with the exception of policies that are reviewed annually.

It is relevant to note that, whilst review dates are allocated / dispersed throughout the four-year term to minimise administrative burden of multiple policies falling due for review at the same time, a policy should only be considered as being overdue for review if a statutory review requirement has not been met, or the Council resolution to review once within the four-year term has not been met (i.e. a policy only being overdue in the current 2022-2026 term if the last review pre-dates the November 2018 periodic elections).

DETAILED IMPLICATIONS

Legal	The Local Government Act 1999 and other Acts require Council to adopt certain 'mandatory' policies. Except where prescribed there is no legislative requirement to review policies with any particular frequency or time period, however it is practically necessary and a common sector practice. Council has resolved to review each policy at least once during the Council term (i.e. during the period November 2022 to November 2026). Noting policies should be reviewed prior to the election caretaker period commencing in August / September 2026.
Financial and Budget	N/A
Other Resources	The review of policies does not itself manage risk, except where there is a requirement to review within a certain timeframe. However, the continual periodic review of policy provisions to ensure their currency assists with managing relevant risks. Similarly, in circumstances where the risk of adopting policy that is at variance to legislative requirements, there is a risk in the premature review of policy ahead of other supporting resources.

RISK ANALYSIS

Consequence	Consequence Rating:	Risk Likelihood Rating:	Risk Rating	Risk Controls and effectiveness	Risk Mitigation Plan
Finance	Insignificant (1)	Rare (1)	Low	Review schedule in accordance with legislated requirements and industry 'best-practice' standards, Audit & Risk Committee oversight of policies / procedures relating to governance, finance and risk, policies align to relevant industry standards in risk / finance / procedure etc	Audit & Risk Committee oversight of policies / procedures relating to governance, finance and risk
Reputation	Minor (2)	Unlikely (2)	Low	Proactive approach to policy review and transparency for the community, regular reports to Council on outstanding policies maintaining accountability	Regular reporting to Audit & Risk Committee on progress of overdue review schedule
Legal / Regulatory / Policy	Major (4)	Rare (1)	Moderate	Review policies against relevant legislation and regulations to minimise exposure, regularly examining	Audit & Risk Committee oversight of policies / procedures relating to

				policy provisions to remain current	governance, finance and risk
Service Delivery	Minor (2)	Unlikely (2)	Low	Review schedule in accordance with legislated requirements and industry 'best-practice' standards	Regular reporting to Audit & Risk Committee on progress of overdue review schedule
People	Insignificant (1)	Rare (1)	Low	Ensure correct policy training / induction for staff	Residual risk rating within tolerance, no additional treatments recommended <i>NB – WHS policies and procedures not contemplated / included in the within review schedule</i>
Infrastructure	Insignificant (1)	Rare (1)	Low	Inclusion of relevant / impacted staff during policy review	Residual risk rating within tolerance, no additional treatments recommended
Environmental	Insignificant (1)	Rare (1)	Low	Inclusion of relevant / impacted staff during policy review	Residual risk rating within tolerance, no additional treatments recommended

RELEVANT COUNCIL POLICY

N/A

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

The updated policies are intended to be managed in accordance with the review schedule framework already in place / operation.

CONCLUSION

Further updates are to be provided to the Audit and Risk Committee on a six-monthly basis.

ATTACHMENTS

Nil

5.3 QUARTERLY INTERNAL AUDIT UPDATE

Author: Kahli Rolton, Manager Financial Services
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Quarterly Internal Audit Update' as presented on Wednesday 2 April 2025 be noted.
2. That it be noted that progress achieved on the actions resulting from the internal audits already completed will continue to be reviewed and reported in future quarterly updates.
3. That progress has advanced with three internal audit projects being provided by external consultants including: Procurement, Contract Management and the Rating Review with reports to be presented to Audit and Risk Committee at the June 2025 meeting.

PURPOSE

To provide a quarterly update on the progress of the Internal Audit Plan including actions and recommendations arising from work undertaken.

To outline progress made by external consultants in relation to three internal audit projects:

- Procurement and contract management (2 projects)
- Rating Review.

TERMS OF REFERENCE

The role of the Audit and Risk Committee specifically details Internal Audit, where Council has a separate internal audit function.

12.4 Internal Audit (where Council has a separate internal audit function) The Committee shall:

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

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

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

Aligned with Sections 125A and 126(4) of the Local Government Act.

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

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

12.4.6 Consult - Consult with the CEO prior to appointing a person primarily responsible for the internal audit functions in accordance with section 125A (Internal Auditor).

Internal Audit Policy – As adopted by Council in December 2023 includes the following reporting requirements:

9.2 Audit and Risk Committee - A number of reports will be brought to the Audit and Risk Committee to include the following:

- **Individual Internal Audit Reports** - Will be brought to the Council Executive and Audit and Risk Committee as required to detail the scope of the internal audit prior to commencement of the audit activity, with a further report to be brought to the Council Executive and Audit and Risk Committee to provide the internal audit report that will detail the findings and agreed actions.
- **Quarterly Internal Audit Updates** – A report that will provide an overview of the internal audit function at least on a quarterly basis.
- **CEO Annual Report** - on the council's internal audit processes, reporting as required with regard to the internal audit plan and proposed scope of each internal audit.

RELEVANT LEGISLATION

Statutes Amendment (Local Government Review) Act 2021 – Item 83 Amendment of section 125 - Internal control policies and item 84 Amendment of section 126 – Audit and Risk committee applies greater emphasis on internal audit and risk management.

Local Government Act 1999 Section 125A - Internal audit functions:

(1) The chief executive officer of a council that has an internal audit function must, before appointing a person to be primarily responsible for the internal audit function, or assigning such responsibility to an employee of the council, consult with the relevant audit and risk committee on the appointment or assignment of responsibility.

(2) Despite any other law or instrument to the contrary, the person primarily responsible for the internal audit function—

- (a) must ensure that any reports they prepare relating to the internal audit function are provided directly to the audit and risk committee; and
- (b) may report any matters relating to the internal audit function directly to the audit and risk committee.

Local Government Act 1999 section 126(4) – Audit and risk committee:

The functions of a council audit and risk committee include—

(g)(i) if the council has an internal audit function—

- (A) providing oversight of planning and scoping of the internal audit work plan; and
- (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;

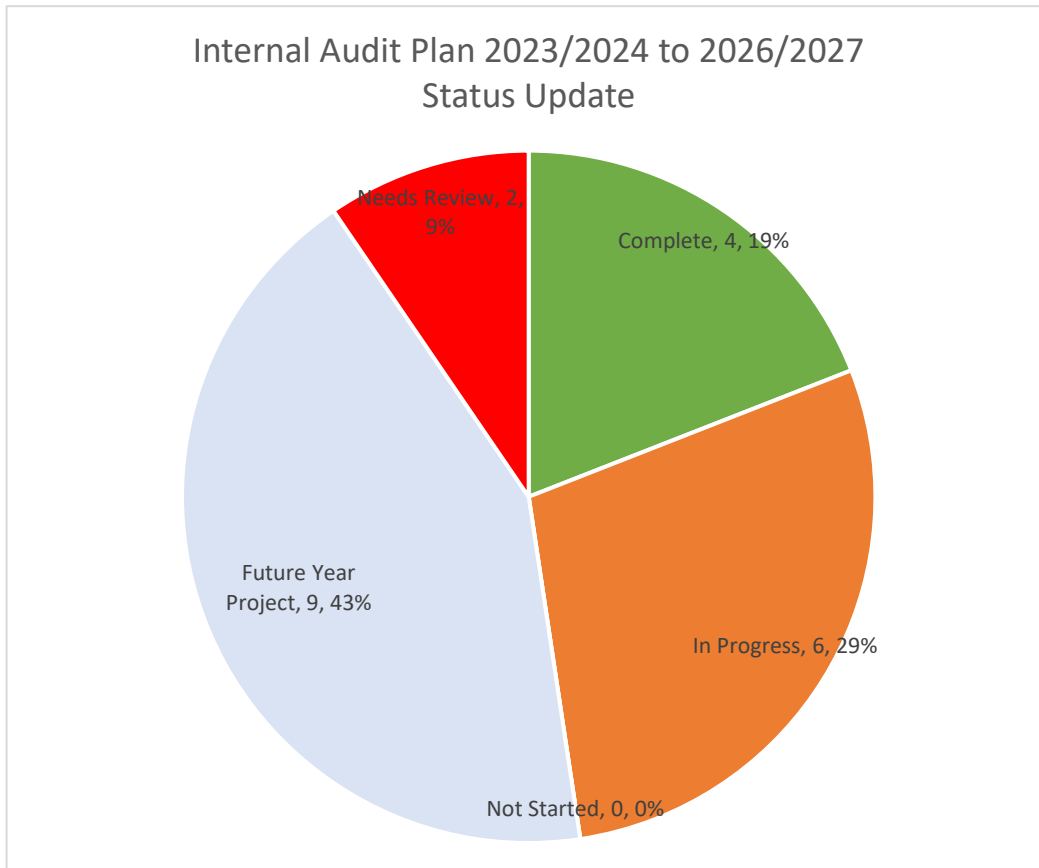
BACKGROUND / OPTIONS

An approach was agreed with Dean Newbery and Partners further to their appointment as Council's external auditor in 2021 as follows:

- **Internal Financial Controls Self-Assessment** - The internal financial controls that had not been assessed since 2018 would be assessed in FY 2023;
 - These were assessed and presented to Audit and Risk Committee at their June 2023 meeting and a further update provided October 2024.
- **Internal Audit** - A risk-based approach would be undertaken to build an internal audit program starting with one internal audit in FY 2024.

PROGRESS TOWARD INTERNAL AUDIT PLAN

Quarterly progress update – Attachment 1 to this report tables in detail the 2023/2024-2026/2027 revised internal audit plan and progress against this plan. The graph below provides a high-level status update. There are 21 documented internal audit projects in total over the 4 year period, with 4 completed, 2 requiring review, 6 in progress and 9 planned for future years.



Completed Projects - 3 completed projects were relevant to the 2023/2024 financial year and 1 completed project is from the current financial year. An update on outstanding actions and recommendations resulting from these completed audits is detailed below and attached.

In Progress – 6 internal audit projects are listed as in progress.

- It is estimated that 5 projects will be completed prior to the end of the financial year being, Data Protection and Privacy, Procurement, Contract Management, Rating Review and Internal Financial Controls.
- The Council Policies project is well underway with 8 of 78 Policies remaining to be reviewed and estimated to be completed prior to the conclusion of the current council term and pending legislative changes.

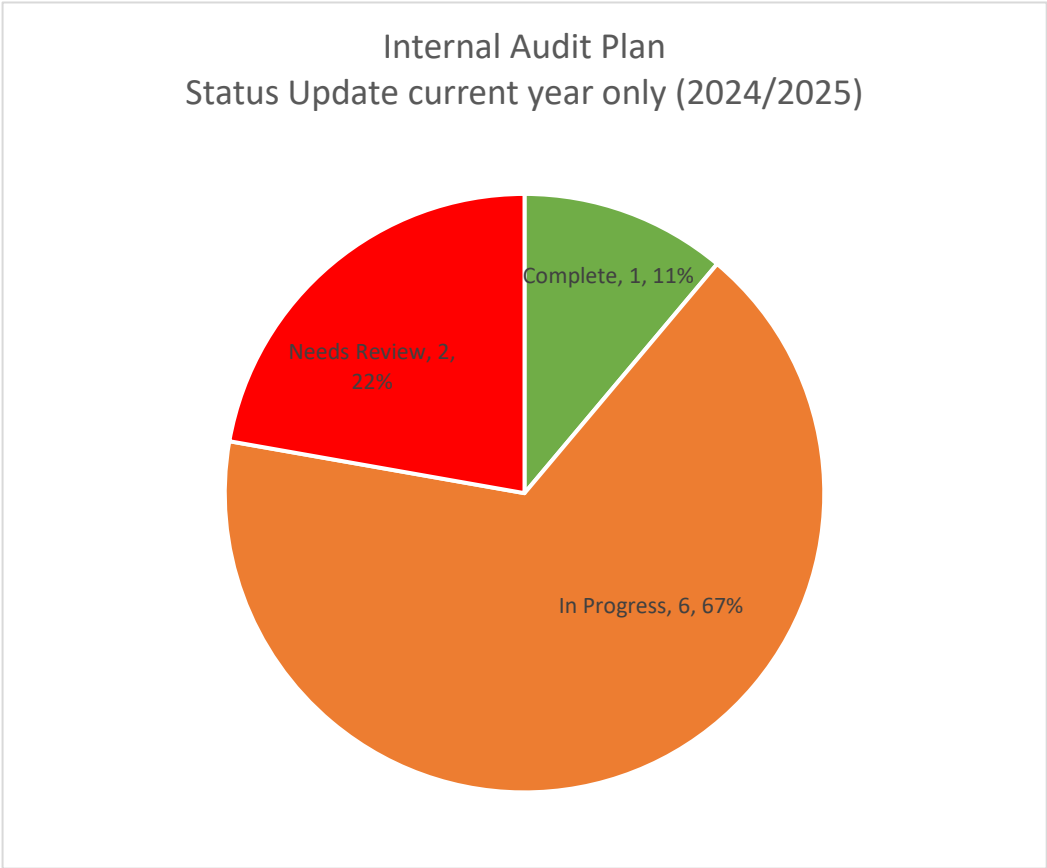
Not Started – At the last quarterly report the internal financial controls review had not yet been commenced and at the time of writing this report was almost complete. There are no current projects that have not started.

Needs Review – The penetration testing project is currently off track. Council's managed host provider completes this as part of their regular security plan. It is anticipated that this will be completed this financial year and a report will be provided. The Incident Response Plan is also off track, with external providers originally estimated to complete review by February 2025.

Future Year Project – 9 projects have been included for future years, with 5 planned for the 2025/2026 financial year and 4 planned for 2026/2027 financial year (with an extra 1 project being a recurring item every 2 years). This plan will be reviewed and updated annually to incorporate any required updates for projects off track or unlikely to be completed within the relevant financial year.

Current Year 2024/2025

Of the progress detailed above 9 internal audit projects have been identified for 2024/2025 financial year, with 6 in progress and 2 off track and 1 completed. Of the 6 in progress, external consultants have been formally appointed for 3 projects with internal audit reviews having been completed and now pending final reports and recommendations. Council’s own review of it’s internal financial controls is now complete and a report included the April 2025 Audit and Risk Committee meeting Agenda. The Data Protection and Privacy project is underway with initial data cleanse completed to minimise exposure of personal data risks and an Administration Principle being drafted. Council Policies project is also well underway with only 8 out of 78 Policies remaining for review. Refer Attachment 1 for details.



Recommendations and Actions – From the internal audits completed, Attachment 2 to this report provides a detailed table of recommendations, actions and completion dates with management commentary. The table below provides a high-level summary with comparison to the previous report in November 2024.

Internal Audit Project	Recommendations & Actions	Actions Complete	Actions Pending
Payroll and Remuneration	3	2 (previously 2)	1
PDI Act	16	6 (previously 5)	10 (previously 11)
Internal Audit	TBA in separate report		

DETAILED IMPLICATIONS

Financial and Budget	<p>The Internal Audit Plan 2024-2026 was created to be conducted within the current available budget (pending a procurement process). \$20k has been included in the 2024/2025 plus \$20k for a rating review.</p> <p>Improvements have been made to the plan to estimate costs associated with internal audits to be completed by external parties in future years as follows:</p> <p>FY2025/2026 \$25k FY2026/2027 \$35k</p> <p>These amounts are estimates only and subject to change.</p>
Other Resources	<p>The administration and implementation of the internal audit plan requires dedicated time from members of staff throughout Council.</p> <p>Where possible, the plan has been reduced to take this into consideration and deliver meaningful, value adding audits within current resourcing levels.</p>

RISK ANALYSIS

Consequence	Consequence Rating:	Risk Likelihood Rating:	Risk Rating	Risk Controls and effectiveness	Risk Mitigation Plan
Finance	Minor (2)	Possible (3)	Moderate	Council has adequate systems in place to ensure value for money for its community	Procurement Policy, Procedures and internal audit.
Reputation	Moderate (3)	Unlikely (2)	Moderate	Council has robust procurement procedures in place to uphold the highest operating standards	Continue to ensure openness and transparency and report to the public regarding internal audit recommendations
Legal / Regulatory / Policy	Moderate (3)	Possible (3)	Moderate	Identification of non-compliance in certain area.	Internal Audit Plan has been amended to include areas for concern as a means to value add and improve
People	Moderate (3)	Possible (3)	Moderate	In some areas recruiting and retaining qualified staff has been identified as an issue.	Work on recruitment strategies and culture

RELEVANT COUNCIL POLICY

[Internal Audit](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Individual Internal Audit Reports will be brought to the Audit and Risk Committee for review as they are completed. The next quarterly Internal Audit report will be brought to the Audit and Risk Committee August 2025.

CONCLUSION

Progress towards the Internal Audit Plan has been included and provides an update on the status of internal audit projects. Actions and recommendations from completed internal audits are also enclosed including updates towards their progress.

ATTACHMENTS

1. Internal Audit Plan (detail) F Y 2024-2027 April 2025 [**5.3.1** - 3 pages]
2. Actions and Recommendations tracking - completed internal audits April 2025 [**5.3.2** - 3 pages]

City of Mount Gambier
Audit and Risk Committee Meeting Agenda

2 April 2025

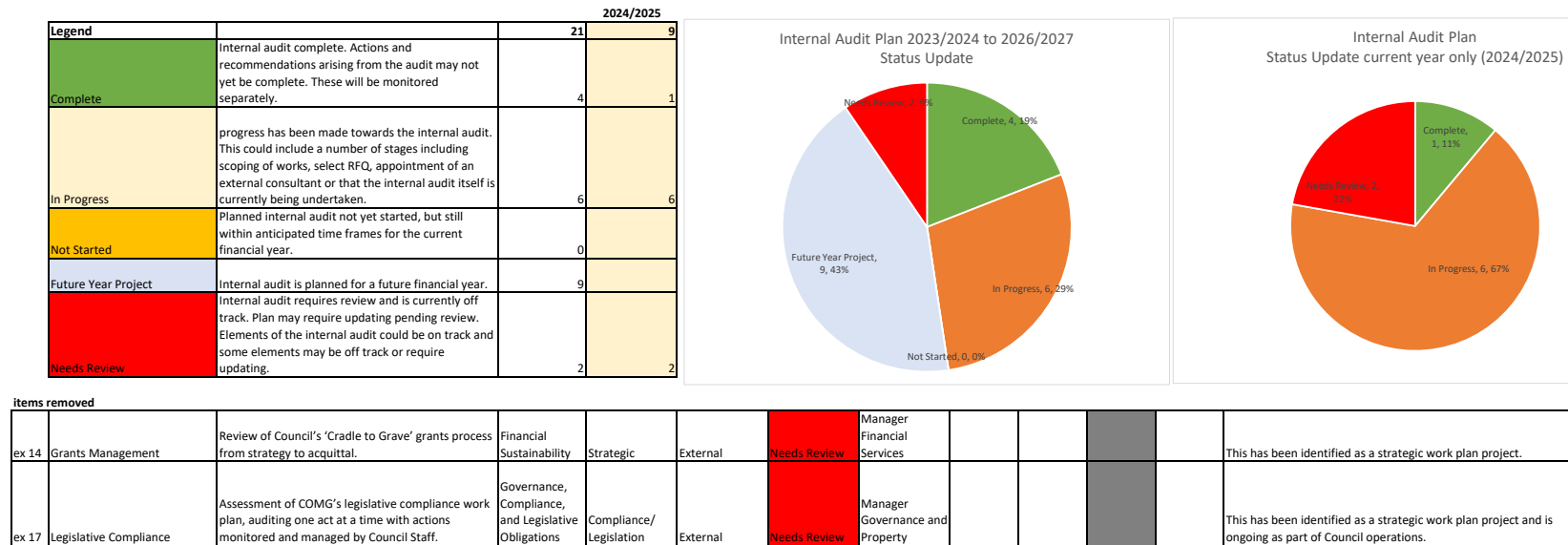
Internal Audit Plan 2023/2024-2026/2027
(November 2024 update)

No.	Internal Audit Project	Description	Strategic Risk	Category	Resource	Status	Lead	2023/ 2024	2024/ 2025	2025/ 2026	2026/ 2027	Latest Progress update
1	Internal Audit Plan Development	Development of the Internal Audit Plan following review in 2024. This will include indicative audit scopes and links to Council's Strategic Risk Register.	All Risks	All	Internal	Complete	Manager Financial Services	\$0				Reviewed and Updated by Audit and Risk Committee June 2024
2	Penetration Testing	The objective of this testing is to identify weaknesses within the COMG internal network on an ongoing basis.	Cyber Security	Operational	External	Needs Review	Manager Performance and Capability		\$0			Council's managed host provider completed this as part of their regular cyber security plan. An update will be brought to a future Audit and Risk Committee meeting, but will exclude specific details on vulnerabilities to avoid exposing the provider to unnecessary risk.
3	Incident Response Plan	Review the adequacy of the incident response plan.	Cyber Security	Operational	External	Needs Review	Manager Performance and Capability		\$0			Confirmed desktop review will be undertaken by Local Government Risk Services (LGRS) with reporting to be brought to Audit and Risk Committee Meeting in June 2025. Administrative Procedure Cyber Security Incidence Plan has been drafted based on LGITSA template with some underpinning templates and resources to be developed.
4	Payroll & Remuneration	Review onboarding, changes to staff employment terms and exit of staff.	Financial Sustainability	Operational	External	Complete	Manager Financial Services	\$10,000				This is now complete. Report tabled at Audit and Risk Committee meeting July 2024.
5	Payroll & Remuneration	Broader organisation wide internal audit testing a range of current employees (excluding the employees within the scope of the above audit) against the terms and conditions of the relevant EBs, Awards and Contracts	Financial Sustainability	Operational	External	Future Year Project	Manager Financial Services				\$8,000	
6	Position Description & Accreditation	Review of position descriptions across the organisation to ensure that they are in date, accurate and that accreditation has been maintained by staff.	People, Workforce and Compliance	Compliance/ Legislation	Internal	Complete	Manager Performance and Capability		\$0			Key roles have been reviewed that have specific professional accreditation requirements and PD's reviewed and updated and compliance checked. All other PD's are on a regular review cycle.
7	PDI Act 2016 - Post Implementation Audit	Review of processes and organisational compliance further to the implementation of the PDI Act 2016.	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	External	Complete	Manager Financial Services	\$10,000				This is now complete. Report tabled at Audit and Risk Committee meeting July 2024. 16 recommendations tabled.
8	Data Protection & Privacy	The review will assess the design of Council's process for compliance with relevant privacy legislation and testing the operating effectiveness of key controls such as data management, data storage, privacy breach response and management.	Cyber Security	Compliance/ Legislation	Internal	In Progress	Manager Performance and Capability		\$0			Data clean up has been completed to minimise exposure of personal data. An Administrative Principle is in draft format, due to be reported back to Audit and Risk Committee at the June 2025 meeting.
9	Management of Leave Entitlements	Review of staff leave entitlements focusing liabilities, and effectiveness of administrative principles and procedures.	People, Workforce and Compliance	Compliance/ Legislation	Internal	Future Year Project	Manager Performance and Capability				\$0	Principle in draft format expected completion December 2024. Will commence regular reporting in 2025 (currently adhoc).
10	Legislated Training	Review of completion of legislated training across the organisation.	Safety Compliance and WHS Management	Compliance/ Legislation	Internal	Future Year Project	Manager Performance and Capability			\$0		
11	Workers Compensation Process	Review of effectiveness of administrative principles and procedures.	Safety Compliance and WHS Management	Compliance/ Legislation	External	Future Year Project	Manager Financial Services			\$0		
12	Fraud Prevention	Review the effectiveness and completeness of Council's framework (gap analysis vs standard, roles, responsibilities, policies and procedures and internal training and awareness).	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	External	Future Year Project	Manager Financial Services			\$9,000		

City of Mount Gambier
Audit and Risk Committee Meeting Agenda

2 April 2025

13	Council Policies	Review of Council policies ensuring alignment with accepted industry best practice standards and legislation.	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	Internal	In Progress	Manager Governance and Property		\$0			Council undertakes a review of all policies and procedures at least once per council term (four yearly) unless otherwise stipulated by legislation. Reviews require consideration of relevance, accuracy against current practice, compliance with industry 'best practice' and relevant legislation / reform. Currently, council has 8 out of 78 policies remaining for review during the relevant period.
14	Investigations	Review of investigation procedures.	Safety Compliance and WHS Management	Compliance/ Legislation	External	Future Year Project	Manager Performance and Capability			\$6,000		
15	Project Health Check	This review will include an assessment of a project's management mechanisms, governance structure, project team roles and responsibilities, and project status reporting mechanisms.	Major Infrastructure	Strategic	External	Future Year Project	Manager Financial Services				\$10,000	
16	Procurement	Review the adequacy of procurement policies, procedures and compliance herewith including exemptions.	Financial Sustainability	Compliance/ Legislation	External	In Progress	Manager Financial Services		\$10,000			scope prepared to be presented to Audit and Risk Committee November 2024. UHY appointed, consultant onsite in February with presentation of findings due to Audit and Risk Committee June 2025.
17	Contract Management	Overarching review of adequacy of Policies, Procedures and Compliance including roles and responsibilities across Council and tools to record and access required information and report against.	Financial Sustainability	Compliance/ Legislation	External	In Progress	Manager Financial Services		\$10,000			scope prepared to be presented to Audit and Risk Committee November 2024. UHY appointed, consultant onsite in February with presentation of findings due to Audit and Risk Committee June 2025.
18	Plant and Fleet	Review Plant utilisation and purchasing strategies. Eg lease v's buy v's hire and the most efficient use of resources with consideration to the local economy.	Financial Sustainability	Strategic	External	Future Year Project	Manager Financial Services				\$10,000	Per ARC Resolution 5.10 Draft Revised Internal Audit Program COMMITTEE RESOLUTION Moved: Alexander Brown Seconded: Mayor Lynette Martin 3. That plant and fleet be subject to a future internal audit in a later iteration of the Internal Audit program.
19	Rating Review	To review and improve the fairness and equity of the current system of rating.	Financial Sustainability	Strategic	External	In Progress	Manager Financial Services		\$20,000			LGIQ has been appointed to undertake the rating review and has begun working with Elected Members and Council Administration in December 2024. Elected members have requested public consultation does not take place prior to the Annual Business Plan and Budget Process, ETA July 2025. Audit and Risk Committee has been provided an informal briefing on the progress to date.
20	General Inspectorate	Review and assess procedures and record keeping in relation to enforcements. Risk that Council is exposed to unnecessary litigation and ineffective use of resources if inadequate documentation and process.	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	External	Future Year Project	Manager Governance and Property			\$10,000		
21	Internal Financial Controls	In accordance with the LG Act and external auditors, a biennial review of financial internal controls in alignment with the better practice model is required.	Governance, Compliance, and Legislative Obligations	Compliance/ Legislation	Internal	In Progress	Manager Financial Services		\$0		\$7,000	Review is underway and due to be reported back to Audit and Risk at the April 2025 meeting. This review is required biennially in agreement with external auditors. Estimated \$ are included for an program to help track internal financial controls and continuous improvements against these controls.
Future Iterations								\$20,000	\$40,000	\$25,000	\$35,000	
24	Cash Handling											



Recommendations and Actions

Payroll and remuneration processes		Risk Rating	Lead	Status	Completion Date	Comments
1a	The Council's Administrative Principle Risk Management was issued in June 2022 and is noted on the document as due for review in June 2023. This document is overdue for review. We note that the Council adopted a reviewed Risk Management Policy in June 2024	Moderate	General Manager Corporate and Regulatory Services	Completed	Jun-24	The Risk Management Policy was reviewed by the Audit and Risk Committee and adopted by Council in June 2024.
1b	The Administration Procedure – Acting Arrangements and Higher Duties Allowance, provides guidance on the processes for higher duties but also extracts from EBs and Awards. It does not include Mixed Functions for field staff which has different provisions for payment at higher classifications. A procedure should extract all components from a Relevant Award or EB but be kept updated whenever those change or instead refer to the relevant Clause Numbers of the Award or EB.	Moderate	Manager Performance and Capability	In Progress	Dec-24	Administration Principle is being reviewed and is scheduled to be updated by the end of the calendar year.
2	One contract was signed manually by the employee and not signed by a witness. Two contracts were not signed by the CEO. One contract was signed by the CEO and employee via Adobe Sign; the witness box remains on the document and is unsigned. An employment contract does not need a witness when signed securely, such as using Adobe Esign, but if the Council is not going to use a witness, the witness box should be removed. We note that the latest contracts did not have a witness box. The Council also now uses Adobe Esign to electronically sign their employment contracts. This process ensures that all parties sign the contract and initial each page. The Contract with the missing CEO signature should be addressed.	Low to Moderate	Manager Organisational Development	Completed	Jul-24	The contracts with the missing CEO signature had a letter of offer which is issued by the CEO. The organisation has adopted esigning processes to ensure a streamlined approach for the perspective employee. This was identified and implemented prior to the audit being undertaken. The areas of improvement have been rectified accordingly. One of the contracts that was not signed by the CEO covers terms and conditions within the EB. The other contract that was not signed by the CEO will be addressed as the terms and conditions fall outside of the EB
PDI Act		Risk Rating	Lead	Status	Completion Date	Comments
1	Consider and confirm the Council's short-term intent in relation to city planning and the use of code amendments.	Moderate	Manager Development Services	Not Started	Mar-25	Council intends to wait for the finalisation of the Limestone Coast Regional Plan before commencing code amendment work. Completion date: First Qtr of 2025 - Noting Council's Budgetary Restraints - No Budget allocation for 24/25 FY Awaiting finalisation of Regional Plan to guide future code amendments.
2	Review whether the Planning Team have sufficient capacity and resources to lead Council-initiated code amendments, and/or respond to externally driven code amendments.	Moderate	General Manager Corporate and Regulatory Services	In Progress	Jul-25	Service reviews and workforce planning project will commence in first quarter of 2024-25. Summary findings will be presented to the Audit and Risk Committee upon completion.
3	Prioritising human resourcing for the Planning Team.	High	Manager Development Services	Completed	Jul-24	Addressing via para planner / additional administration support. Para Planner position filled in mid-June 2024. Senior Planning Position now vacant upon the resignation by the incumbent November 2024. Council has successfully recruited a Planning Officer to replace the Senior Planning Officer, with the incumbent starting 03/03/2025. All vacant positions in the Planning and Building Teams have been filled .
4	Consider ways to reduce the workload associated with lower-level customer requests on the Development Services team.	High	Manager Development Services	In Progress	Sep-24	Para Planner commenced June 2024, Admin assistance currently being finalised, Para planner will commence work on FAQ's in conjunction with other officers in August 2024. Work with the Customer Service Team to re-implement scripts for general development related enquiries.
5	Re-introduce regular, recurrent scheduled meetings between Development Services and Operations & Engineering teams and other stakeholders.	Moderate	Manager Engineering Design & Assets	Completed	Oct-24	Fortnightly meetings with the Engineering Team have been reimplemented.
6	Conduct a mapping exercise to document/confirm roles and responsibilities between the Development Services and City Infrastructure teams.	Moderate	Manager Engineering Design & Assets	In Progress	Oct-24	Will be impacted by proposed legislative changes. Being addressed at the reintroduced meetings between Development Services and City Infrastructure.

7	Consider how CoMG could influence planning and development activity by more proactively engaging with external stakeholders at the pre-planning stage, where applicable.	Moderate	ELT to determine	Not Started	Dec-24	<p>Guidance Development: Develop comprehensive guidance documents outlining CoMG's preferred positions on key elements of development plans. This should include clear explanations of requirements under relevant legislation like the Planning and Development Infrastructure (PDI) Act.</p> <p>Best Practice Outcomes: Define CoMG's views on best practice outcomes for holistic planning considerations such as stormwater management, established tree retention, streetscape enhancement, and heritage character preservation. This can be communicated through guidelines, policy statements, or informational materials provided to developers.</p> <p>Subject Matter Expert Availability: Identify and designate CoMG subject matter experts who can assist developers with inquiries at the pre-planning stage. Ensure that these experts are accessible and responsive to developers' needs, providing guidance and expertise to help align projects with CoMG's objectives and regulatory requirements.</p> <p>Stakeholder Engagement Platforms: Establish platforms or forums for regular engagement between CoMG representatives and external stakeholders, including developers, community groups, and industry associations. These platforms can facilitate dialogue, exchange of ideas, and collaboration on planning and development initiatives.</p> <p>Education and Awareness Programs: Conduct educational programs and outreach activities to raise awareness among developers and other stakeholders about CoMG's priorities, policies, and expectations regarding planning and development. This can include workshops, seminars, and informational materials disseminated through various channels.</p>
8	Increase capacity to perform important higher-risk compliance and enforcement actions.	Moderate	Manager Development Services	In Progress	Jun-25	<p>Prioritise Compliance Actions: Evaluate the current workload of Class 1 building inspections and identify areas where resources can be reallocated. Prioritize higher-risk compliance and enforcement actions over routine inspections to focus efforts on addressing outstanding issues.</p> <p>Planning Inspections are being undertaken to identify areas of non compliance.</p> <p>Training and Delegation: Provide comprehensive training to select administrative support staff to handle lower-level tasks typically performed by Building Officers. Assign responsibility for tasks such as following up with developers/building owners, data reporting, and customer service provision</p> <p>Streamlining Processes: Identify opportunities to streamline compliance and enforcement processes to improve efficiency. This may include leveraging technology for streamlined communication with stakeholders.</p>
9	Consider engaging external consultants to assist with backlogs in class 2-9 building inspections.	Moderate	Manager Development Services	Completed		Backlog of inspections have been completed.
10	Ensure that Council's latest/updated published Delegations Register as available on the public website.	Low	Manager Governance and Property	Completed	Jul-24	This is an ongoing obligation, and is consistently updated in accordance with any updates in head/sub-delegations. We are currently working to include Instrument C & D in this register.
11	Work to ensure that members of the Limestone Coast Southern Regional Assessment Panel have clarity around responsibility for maintaining/updating relevant delegations.	Low	Manager Governance and Property	In Progress	Nov-24	COMG is currently the council responsible for 'administering' the LCSRAP. Therefore, when updates come through in RelianSys which relate to Instrument C or D under the PDI Act, Tracy Tzioutziouklaris (as Assessment Manager) is notified and makes the necessary arrangements to update affected sub-delegations (whether that is directly in her capacity as AM, or organises for the requisite report to be tabled with the LCSRAP). Given this recommendation relates more specifically to the role/responsibilities of individual councils in their administration of those sub-delegations to their staff, an item will be included on the Regional Governance Network (including governance officers from all 7 LCLGA councils) meeting to share the way COMG currently manages this and recommending that governance officers ensure a similar robust process is in place at any councils who are also a member council of the LCSRAP.
12	Develop a pragmatic approach to periodically confirming that Development Services officers' delegations are up to date, correct and that officers have signed acceptance of these delegations.	Low	Manager Governance and Property	Completed	Nov-24	The way this is currently done in practice is that Development Services staff keep track of their current delegations via the 'live' link to RelianSys on our website. We are currently working to include Instrument C & D in this register. We already receive queries from Development Services staff periodically querying their delegations, so we are confident this is occurring in real time.
13	The BFSC consider developing a proactive approach to inspecting higher-risk buildings.	Low	Manager Development Services	In Progress	Dec-24	Ways of matters being directed to the Building Fire Safety Committee have been confirmed. High risk buildings have been identified.

14	Review and update CoMG's complaint handling policy with respect to PDI Act obligations.	Low	Manager Governance and Property	Completed	Nov-24	The Request for Service and Complaints Policy has been reviewed and the relevant inclusions under the PDI Act complaints processes added. This is set to be presented to the A&RC in November, and Council in December.
15	Consider monitoring trends of community feedback/complaints to assist continuous improvement.	Low	Manager Performance and Capability	In Progress	Dec-24	Set up a regular schedule for analysing community feedback and complaints data. This could be done monthly, quarterly, or annually, depending on the volume of feedback received. Analyse the data to identify recurring issues, trends, and areas for improvement. Based on the analysis of feedback and complaints data, identify specific areas within development services that require improvement. Look for patterns or common themes in the feedback to pinpoint areas where changes or adjustments may be needed. Develop action plans to address the identified improvement opportunities. Complaints Policy has been updated to include information under the Planning, Development and Infrastructure Act 2016. An update has been made to the Council websites to consolidate complaints, feedback and requests for services/ products under one form which will assist on our capacity to report and monitor trends. Reporting is being developed for customer feedback/ complaints across the organisation with a view of feeding this into our program of continuous improvement. This is due to be finalised with a reporting cycle through ELT and Council by the end of the financial year.
16	Reconsider the need to continue maintaining the Land Division and Building and Swimming Pool Inspection policies, and either revoke them or update them to ensure consistency with legislation.	Low	Manager Engineering Design & Assets	In Progress	Sep-24	The Land Division Policy L130 has been drafted, however is on hold to consider the regional plan process outcome. The Building and Swimming Pool Inspection can be revoked

5.4 INTERNAL FINANCIAL CONTROLS 2024-2025 SELF ASSESSMENT AND UPDATE FROM PREVIOUS SELF ASSESSMENT

Author: Kylie Harradine, Financial Accounting Coordinator
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Internal Financial Controls 2024-2025 self assessment and update from previous self assessment' as presented on Wednesday 2 April 2025 be noted.
2. That the Audit and Risk Committee note the results of the 2024/2025 internal control self assessment and that progress towards identified improvement action plans will be reported annually to the Audit and Risk Committee.
3. That the Audit and Risk Committee note that the Internal Financial Controls Procedure document is currently under review and will be presented to Audit and Risk Committee at a future date.

PURPOSE

Council has completed the biennial requirement as per Council's Internal Controls Policy to undertake a self-assessment of Internal Financial Controls with intent to monitor and report on control testing and risk assessment.

The self-assessment was undertaken utilising the Better Practice Model – Internal Financial Controls for SA Council's, as developed by the Local Government Association (LGA) and the Finance Managers Group (SALGFMG) of South Australia.

Internal financial control (IFC), as a part of council's broader risk management and internal control systems are designed to assist the council in addressing the risk of fraud and error, improving reliability of financial reporting and compliance with laws, regulations, policies, procedures and practices. They focus on council's financial processes and functions that deal with, but are not limited to, budgeting, financial reporting, transaction processing, financial delegations and treasury management.

TERMS OF REFERENCE

12.2 Internal Controls and Risk Management Systems

The Committee shall:

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

RELEVANT LEGISLATION

The Minister for Local Government, the Hon Geoff Brock MP, approved the Better Practice Model – Internal Financial Controls on Monday 5 September 2022.

Section 125 Local Government Act - Section 125 of the Local Government Act 1999 ("the Act") requires that: "a Council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the Council's assets, and to secure (as far as possible) the accuracy and reliability of Council records".

Local Government (Financial Management) Regulations 2011 10A - For the purposes of section 125(2) of the Act, the policies, practices and procedures of internal financial control of a council must be in accordance with the Better Practice Model - Internal Financial Controls.

BACKGROUND / OPTIONS

Interim Audit Action - Council are committed to undertake a comprehensive organisation-wide self-assessment and report back to the external auditors as part of the interim audit for the 2024/2025 financial year.

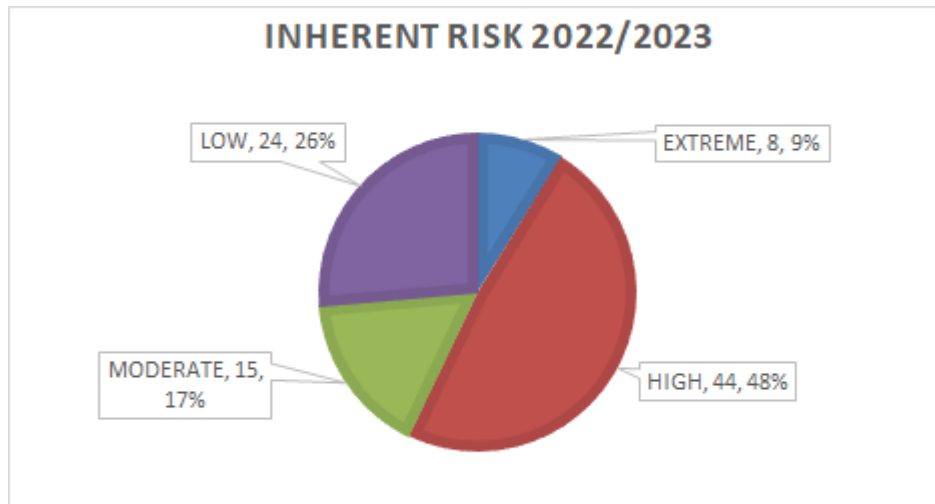
Better Practice Model – Council has adopted the LGA Better Practice Model - Internal Financial Controls for South Australian Councils;

- **Three Lines of Defence** - The Three Lines of Defence Model provides a framework for viewing risk management as a series of components which build upon each other to provide layers of defence to manage risk.
- **Functions** - The first line of defence contains functions that own and manage risk, with the responsibility to maintain controls, identify and manage risks and implement corrective actions for control deficiencies. The second line contains functions that oversee risk and with responsibility to monitor the first line and ensure it is properly designed, in place and operating as intended. The third line provides independent assurance i.e., internal audit. The three lines of defence are internal to Councils and are supported by external components including external audit and LGA Guidance.
- **Monitoring Activities** - Form an important component of Council's lines of defence for managing risk. Monitoring activities are within the second line of defence for Councils. Importantly, monitoring activities such as Controls Self-Assessment form only part of the Council's overall risk management strategy and should be risk based so as not to be over-resourced.
- **Control Types** – The controls are classified as core and additional with the intention being that core controls are likely to be more important or critical.

METHODOLOGY

Risk Ratings – There were 91 inherent risks assessed for their residual risk value in FY2024/2025 as part of the self-assessment; The graph below provides a snapshot of the inherent risk ratings.

Internal Financial Controls - Council have used the Galpin's Internal Financial Control Monitoring spreadsheet to conduct the Self-assessment in 2022/2023 and 2024/2025. All controls from the Better Practice model are detailed within the document for a control assessor to provide an assessment commentary, scoring and evidence. A control reviewer/owner is then given the opportunity to provide an assessment score, commentary and action plan where required.



Scoring Mechanism - The following scoring mechanism was applied when reviewing and assessing controls as follows (where a control is reviewed as having a score of 3 or less an improvement action plan is required):

Definitions of Control Effectiveness Ratings	
1. Ineffective	During the period, the control has not been implemented as described. Urgent management action is required to implement the described control processes.
2. Requires significant improvement	During the period, the control has been implemented as described, but with significant deficiencies in the consistency or effectiveness of implementation. Significant management action required to implement processes to improve the effectiveness of the control.
3. Partially effective	During the period, the control has been implemented as described, but with some deficiencies in the consistency and/or effectiveness in which it has been applied.
4. Majority effective	During the period, the control has been implemented as described and in the majority of cases has been consistently and/or effectively applied. There is potential to enhance the effectiveness of the control, but only with minor adjustments.
5. Effective	During the period, the control as described has been fully implemented and has in all cases has been consistently and/or effectively applied.

PREVIOUS SELF ASSESSMENT REVIEW AND UPDATE (FY 2022/2023)

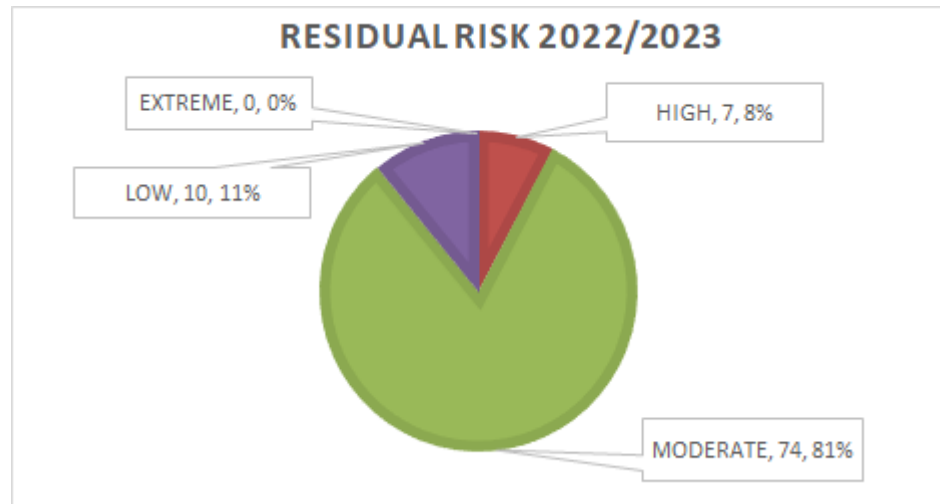
2022/2023 Review – Council undertook a comprehensive review during the second half of 2022/2023 with 176 controls assessed, 12 controls required an improvement action plan (6 core and 6 additional). An update was provided to Audit and Risk in October 2024 with the following summary:

- **In Progress** – 5 action plans including 2 action plans relating to grants, and 3 relating to asset management.
- **Completed** – 1 action plan related to fee for service.
- **Ongoing** – 5 action plans relating to purchasing/contract management, policies/procedures and maintaining assets.
- **Not Started** – 1 action plan for a disaster recovery plan.

Further progress has been made following the update with 6 of the 12 identified action plans now complete;

- **In Progress** – 2 remain including grants, and the disaster recovery plan
- **Completed** – 6 have been completed including project costing, contract management, grants and income.
- **Ongoing** – 4 have improved and remain ongoing including fixed assets, purchasing and contract management.

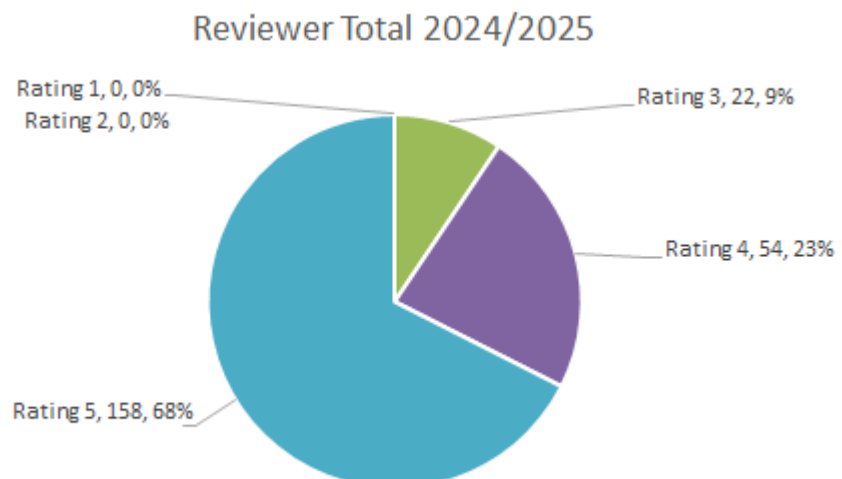
Residual Risk – As part of the 2022/2023 self-assessment the 91 inherent risks were assessed with consideration to the controls council had identified with no risks considered extreme;



CURRENT SELF ASSESSMENT REVIEW AND UPDATE (FY 2024/2025)

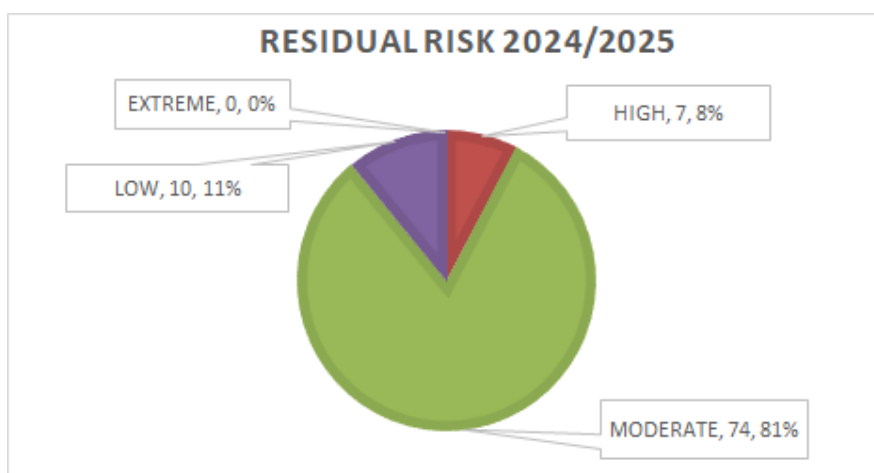
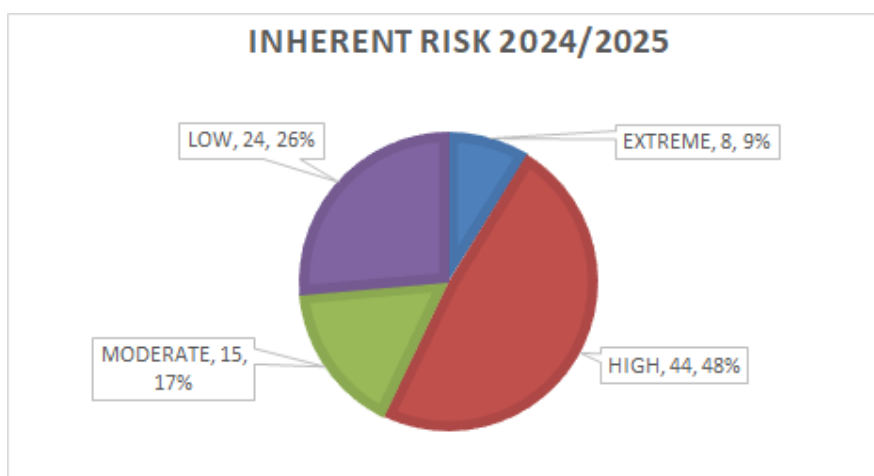
2024/2025 Review – Council conducted a comprehensive review during the second half of 2024/2025 with 234 controls assessed, 185 core controls and 49 additional controls. This is an increase of 55 controls self-assessed in comparison to the 2022/2023 review. Due to the period of time between reviews and new management, low risk ratings were reviewed as well.

1. **Review Scoring** – No control received a score of 1 or 2 (Ineffective/Requires significant improvement), 91% rated either 4 or 5 (Effective/Majority Effective) and 9% rated 3 (Partially/Effective);



- **Core** - 17 of the core controls received an assessment score of “3 - Partially effective” and require an action plan. These span across a variety of risk areas, however master file access was identified as an area for improvement contributing to over half of the controls requiring action plans and will be assessed as a whole;

- **Master file access (7)** - Master control access across multiple controls groups; Debtors, asset register, creditors, property, budget, general ledger, journals entry.
 - **Debtors (1)** - Credit notes (bookable)
 - **Fixed Assets (3)** - Asset Management plans for new and renewal periodically reviewed to reflect changing priorities and as required by Local Government Act 1999 and insurance of fixed assets
 - **Project Costings (1)** - process for changing scope of budget
 - **Contracts (1)** - Contract management processes
 - **Governance (1)** - Code of conduct awareness
 - **Grants (1)** - Management approval of tied grants
 - **User charges (1)** - Process to establish fees and charges
 - **Budgets (1)** - Process to review actual compared to budget
 - **Additional** - 5 of the additional controls received a score of “3 - Partially effective” and require an action plan.;
 - **Fixed Assets (1)** - Asset maintenance planned and monitored
 - **Purchasing (1)** - Purchasing patterns are reviewed
 - **Contracts (1)** - Ongoing management in place
 - **General Ledger (1)** - Formal disaster recovery plan
 - **Management Reporting (1)** - Roles and responsibilities on Management Reporting.
2. **Risk** – Of the 22 (core and additional) controls reviewed as requiring improvement action plans, 2 were assigned an extreme inherent risk rating and 19 as high (inherent). With Councils controls, the residual risk reduced the overall risk rating with none considered extreme and a reduction of 72% from high to either moderate or low.



DETAILED IMPLICATIONS

Legal	Internal financial controls ensure Council maintain financial accuracy, prevent fraud and maintain compliance with regulatory requirements.
Financial and Budget	An amount has been included in the Internal Audit Plan for Control Track. This is a web-based software program previously used by Council that automates reporting and assists in the management of risk and internal control reviews. Control Track has not yet been included in any budget preparations and is currently planned for implementation in the 2026/2027 financial year in line with the next biennial review due date.

RISK ANALYSIS

The risk identification and categorisation relies on the City of Mount Gambier [Risk Management Policy](#).

Risk	Consequence Rating	Risk Likelihood Rating	Risk Rating	Mitigation
Finance – Council does not regularly review its financial risks increasing the likelihood of fraud, error or misstatement.	Minor (2)	Unlikely (2)	Low	Regular reporting to the Audit and Risk Committee and external auditors. Biennial self-assessment of internal financial controls using the better practice model.
Legal / Regulatory / Policy – Council is not compliant with relevant legislation and regulations in relation to internal financial controls and risk management.	Minor (2)	Unlikely (2)	Low	Regular reporting to ELT and ARC and meeting annual audit requirements.

RELEVANT COUNCIL POLICY

[Internal Controls](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Action Plans – Have been identified and are either “ongoing” or a “work in progress” with further review to be undertaken with Councils Executive Team.

Internal Financial Controls Procedure Document – Currently under review and will be presented to the Audit and Risk Committee at a future date.

Future Reporting – Progress will be monitored by multiple levels

- Staff commitment to process improvements
- Executive Team – Results and progress monitoring
- Interim audit to be held on site with self-assessment reviewed
- to Audit and Risk Committee – Results and progress monitoring

CONCLUSION

The Internal Financial Controls self-assessment and review by Council has been assessed as being 68% effective, 23% majority effective and 9% partially effective. Opportunities for improvement have been identified and action plans currently under development for controls considered partially effective.

ATTACHMENTS

1. 2025 attachment (1) [**5.4.1** - 5 pages]

2022/2023 Self-Assessment

Code	Description	Control Type	Inherent Risk	2023 Scoring	2023 Status	Progress Update	2025 Scoring	2025 Status	Residual Risk
ASS- FIX- 0002	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	Additional	HIGH	1	Ongoing	The building valuation and condition ratings have been received and are included in the draft Building and Structures Asset Management Plan. Scop has been drafted for detailed renew and maintenance plans on 6 buildings assessed as being critical to Council operations	3	Improved Ongoing	HIGH
ASS- FIX- 0003	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	Core	HIGH	2	Work in progress	The draft Asset Management Plans (AMP's) have been presented to Council for endorsement and to proceed to community consultation at its meeting on 21 May 2024. The Forward Works Program will be developed and prioritised in accordance with the AMP's. Updates to the F.W.P's for FY25/26 have been completed with an update of AMP's to follow.	3	Improved Ongoing	HIGH
ASS- PRO- 0003	Processes are in place for establishing and changing project scope and budgets with approvals in accordance with Delegations of Authority.	Core	HIGH	3	Work in progress	Administrative procedure for capital budget, budget review and adjustment procedure to be reviewed with the General Manager, relevant stakeholders and ELT prior to the end of the financial year.	4	Completed	HIGH
ASS- PRO- 0005	There is an on-going review of current projects having regard to project scope and delivery within budget and with variations communicated and endorsed within relevant Delegations of Authority.	Additional	HIGH	3	Work in progress	New financial performance reporting structure developed for use from April 2024 month-end. Administrative procedure for capital budget, budget review and adjustment procedure to be reviewed with the General Manager, relevant stakeholders and ELT prior to the end of the financial year.	4	Completed	MODERATE
EXP- PUR- 0010	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers.	Additional	HIGH	3	Ongoing	Quarterly cumulative spend reporting has been produced for Executive review. The Procure to Pay documentation rolled out across the organisation emphasises the importance of assessing and understanding cumulative spend (Stages 1 - 4 (Plan, Source, Manage, Pay)).	3	Improved Ongoing	MODERATE
EXT- CON- 0007	There is an ongoing management in place that identifies and manages deliverables, key contact clauses, responsibilities, milestones and includes dispute resolution procedures.	Additional	HIGH	3	Ongoing	Documentation is available on the staff intranet page that includes a quick guide to the prequalified register (now on Skytrust), contractor management procedure, contractor site induction checklist, contractor monitoring checklist, contractor performance evaluation and contractor management guide.	3	Improved Ongoing	MODERATE
FIG- GOV- 0003	There is a process in place to ensure all policies and procedures referenced in the Better Practice Model are reviewed for appropriateness and relevance.	Core	HIGH	3	Ongoing	The review and update of Council policies is a priority activity for Council staff. This is a standing agenda item on each Executive (ELT) agenda. Overdue policies and those due for review are reviewed by ELT and the Audit and Risk Committee prior to being taken to Council.	4	Completed	MODERATE
FIG- GOV- 0004	There is a process in place to ensure all policies and procedures referenced in the Better Practice Model are reviewed for appropriateness and relevance.	Core	HIGH	3	Ongoing	The review and update of Council policies is a priority activity for Council staff. This is a standing agenda item on each Executive (ELT) agenda. Overdue policies and those due for review are reviewed by ELT and the Audit and Risk Committee prior to being taken to Council.	4	Completed	MODERATE
REV- GRA- 0003	Management and/or Council to approve all tied grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant.	Core	HIGH	3	Work in progress	External Grants Policy reviewed by Audit and Risk Committee in November 2023 and adopted by Council in December 2023. Procedures to be developed in 2025.	3	Improved Work in progress	MODERATE
REV- GRA- 0004	There is a process in place for the regular review of all grant income to monitor compliance with the terms of the grant.	Core	HIGH	3	Work in progress	Grant revenue reviewed on a monthly basis. Reviewed with external auditors at the interim and balance date audits Further procedures to be developed in 2025.	4	Completed	MODERATE
REV- USE-0005	There is a process in place to ensure that fee for service income is accounted for.	Additional	MODERATE	3	Completed	Administration procedure developed and approved by Council's Executive (ELT) in April 2024.	5	Completed	LOW
STR- GEN- 0008	Formal disaster recovery plan is in place and communicated to relevant staff.	Additional	EXTREME	3	Not started	Not started. Will be a priority for 2025.	3	Work in progress	LOW

2024/2025 Self-Assessment - CORE

Code	Description	Inherent Risk	Scoring	Status	Action plan	Residual Risk
ASS-DEB-0001	Access to the debtor's master file is restricted to appropriately designated personnel and is reviewed by relevant staff for accuracy and on-going pertinence.	HIGH	3	Work in progress	Controls are currently in place to restrict user access however requires review. Internal Financial Controls documentation currently under review and will reference a register of positions with master level access for the IT team to administer.	MODERATE
ASS-DEB-0015	There is a process in place to review and approve all credit notes for sundry debtors in accordance with delegations of authority.	HIGH	3	Work in progress	Finance to undertake a review of Bookable and implement automatic controls within administration settings.	MODERATE
ASS-FIX-0003	Asset Management Plans are prepared and renewal expenditure and programmed maintenance required is reviewed periodically to reflect changing priorities, additional asset data and other relevant factors.	HIGH	3	Ongoing	AMP are to be reviewed annually in line with ABPB. Forward works plans are to be in line with AMPs.	HIGH
ASS-FIX-0004	Asset Management Plans for all major asset classes are adopted and reviewed by Council as required by the Local Government Act 1999.	HIGH	3	Ongoing	Council have identified as a key strategic 'Unlocking Project' to improve Councils Asset Management Planning, Maintenance and Financial approach.	HIGH
ASS-FIX-0009	Maintenance of the fixed asset register is limited to appropriate staff with consideration to segregation of duties.	HIGH	3	Work in progress	Controls are currently in place to restrict user access however requires review. Internal Financial Controls documentation currently under review and will reference a register of positions with master level access for the IT team to administer.	LOW
ASS-FIX-0015	Where appropriate, fixed assets are insured.	HIGH	3	Ongoing	Controls are currently in place however there is a gap in buildings insurance for new construction. Finance Business Partner to map out the process and ensure controls are in place. Note that new/upgraded buildings are far less frequent than motor vehicles and are picked up every year as part of the renewal process.	LOW
ASS-PRO-0003	Processes are in place for establishing and changing project scope and budgets with approvals in accordance with Delegations of Authority.	HIGH	3	Ongoing	Council is currently reviewing the capital inputs of project budgets as part of the unlocking project.	MODERATE
EXT-CON-0005	There is a contract management process in place throughout the term of the contract to ensure that supplier/contractor meet their obligations.	HIGH	3	Ongoing	Internal audit on contract management to be undertaken. Policies, procedures, roles and responsibilities and training to be implemented and rolled out.	MODERATE
FIG-GOV-0002	There is a process in place for staff to be made aware of the Code of Conduct and Conflict of Interest.	HIGH	3	Ongoing	While code of conduct forms part of the induction process, introducing periodical training and/or reminders would benefit staff understanding.	MODERATE
LIA-ACC-0001	Access to the supplier Masterfile is restricted to authorised staff	HIGH	3	Work in progress	Controls are currently in place to restrict user access however requires review. Internal Financial Controls documentation currently under review and will reference a register of positions with master level access for the IT team to administer.	MODERATE
REV-GRA-0003	Management and/or Council to approve all tied grants (prior to funds being received by Council) to ensure that Council will be able to meet the terms and obligations of the grant.	HIGH	3	Work in progress	There is no formal process at this stage. This has been identified as an area for improvement and the following item has been included on the strategic plan 2024-2028 which will have KPI and regular reporting updates: "Develop and implement policies and procedures that support the organisation to attract grant funding and ensure appropriate accountability in acquitting those funds."	MODERATE
REV-RAT-0001	Access to the Property master file is restricted to appropriately designated personnel, with a process in place to ensure changes are in line with policies and procedures.	EXTREME	3	Work in progress	Controls are currently in place to restrict user access however requires review. Internal Financial Controls documentation currently under review and will reference a register of positions with master level access for the IT team to administer.	LOW
REV-USE-0007	There is a process in place to establish fees and charges (including GST treatment) which are reviewed annually and adopted by Council.	MODERATE	3	Work in progress	Controls are currently in place with an update to the procedure required. Ensure review links directly back to Accounts Receivable standard billing codes. Where standard billing codes are not established, create and update fees and charges.	LOW
STR-BUD-0001	Access to edit Budget information and master file is restricted/limited to appropriately authorised personnel.	HIGH	3	Work in progress	Controls are currently in place to restrict user access however requires review. Internal Financial Controls documentation currently under review and will reference a register of positions with master level access for the IT team to administer.	LOW
STR-BUD-0009	There is a process in place to review actual compared to budget and significant variances investigated.	HIGH	3	Ongoing	The are controls in place, however further Management engagement required.	LOW
STR-GEN-0001	Access to General Ledger maintenance is restricted to appropriately authorised personnel.	HIGH	3	Work in progress	Controls are currently in place to restrict user access however requires review. Internal Financial Controls documentation currently under review and will reference a register of positions with master level access for the IT team to administer.	LOW
STR-GEN-0010	Journal entry access is restricted to appropriately authorised personnel.	HIGH	3	Work in progress	Controls are currently in place to restrict user access however requires review. Internal Financial Controls documentation currently under review and will reference a register of positions with master level access for the IT team to administer.	LOW

2024/2025 Self-Assessment – Additional

Code	Description	Inherent Risk	Scoring	Status	Action plan	Residual Risk
ASS-FIX-0002	Asset maintenance is planned and monitored with relevant staff in accordance with the Asset Management Plans	HIGH	3	Ongoing	Robust review of AMP for inclusion of relevant maintenance scheduling combined with detailed condition assessments on critical assets.	HIGH
EXP-PUR-0010	There is a process in place to review purchasing patterns and ensure maximum use of preferred suppliers.	HIGH	3	Work in progress	Controls are currently in place, however aim to implement and review of cumulative spend and in order to implement this contractor module needs to be operational to allow payments to be easily identified and reported.	MODERATE
EXT-CON-0007	There is an ongoing management in place that identifies and manages deliverables, key contact clauses, responsibilities, milestones and includes dispute resolution procedures.	HIGH	3	Ongoing	Recommend implementing Contract Management Program to capture key contract details for monitoring (basic details currently captured on contract management checklist).	MODERATE
STR-GEN-0008	Formal disaster recovery plan is in place and communicated to relevant staff.	EXTREME	3	Work in progress	Controls are in place with Civica having a Disaster Recovery Plan for financial data. Council is currently developing an Incident Response Plan and is identified in the internal audit plan.	LOW
STR-MAN-0006	There is a process in place to ensure relevant staff are clearly informed of their duties and responsibilities in relation to financial management reporting.	HIGH	3	Ongoing	Recently reviewed the budget policy where further definition of roles and responsibilities was included, training to follow up on this policy change and a review of procedures and position descriptions required.	LOW

Risk assessment

Process	Risk Description	Inherent risk	Residual 2023	Residual 2025
Banking	Banking transactions are either inaccurately recorded or not recorded at all.	EXTREME	LOW	LOW
Banking	Fraud (i.e. misappropriation of funds).	EXTREME	LOW	LOW
Cash Floats and Petty Cash	Cash Floats and Petty Cash are inadequately safeguarded.	LOW	LOW	LOW
Cash Floats and Petty Cash	Cash Floats and Petty Cash transactions are either invalid, inaccurately recorded or not recorded at all.	LOW	LOW	LOW
Debtors	The Debtors master file data does not remain pertinent.	HIGH	MODERATE	MODERATE
Debtors	Credit notes to debtors are either inaccurately recorded or not recorded at all.	HIGH	LOW	MODERATE
Debtors	An appropriate provision for doubtful debts is not recorded.	LOW	LOW	LOW
Debtors	Debtors are either inaccurately recorded or not recorded at all.	HIGH	LOW	LOW
Debtors	Debtors are either not collected on a timely basis or not collected at all.	MODERATE	LOW	LOW
Fixed Assets	LOW	HIGH	LOW	LOW
Fixed Assets	Fixed Asset maintenance and/or renewals are inadequately planned.	HIGH	HIGH	HIGH
Fixed Assets	Depreciation charges are either invalid, not recorded at all or are inaccurately recorded which includes inappropriate useful lives and residuals.	HIGH	LOW	MODERATE
Fixed Assets	Fixed Assets are not valued correctly initially or on subsequent revaluation.	HIGH	MODERATE	LOW
Fixed Assets	Fixed assets are inadequately safeguarded.	HIGH	LOW	LOW
Inventory	Inventory is inadequately safeguarded.	MODERATE	MODERATE	MODERATE
Inventory	Inventory received is either recorded inaccurately or not recorded at all.	LOW	LOW	LOW
Inventory	Inventory held by Council becomes obsolete.	LOW	LOW	LOW
Investments	Investment income is inaccurately calculated or not recorded in the appropriate period.	LOW	LOW	LOW
Investments	Council makes poor investment decisions.	HIGH	LOW	LOW
Investments	Conflict of interest impacts negatively upon the investment decision.	HIGH	LOW	LOW
Investments	Investment transactions are either not recorded or are recorded inaccurately.	LOW	LOW	LOW
Loans / Grants to Clubs / Community Groups	Loans/Grants to Clubs/Community Groups are inaccurately recorded or not recorded at all.	MODERATE	LOW	LOW
Loans / Grants to Clubs / Community Groups	Council issues Loans/Grants without appropriate approvals.	MODERATE	LOW	LOW
Loans / Grants to Clubs / Community Groups	Clubs/Community Groups not able to repay Loans/Grants to Council.	MODERATE	LOW	LOW
Prepayments	Prepayments are either inaccurately recorded or not recorded at all.	LOW	LOW	LOW
Project Costing	Projects are either inaccurately recorded or not recorded at all.	HIGH	HIGH	MODERATE
Project Costing	Appropriate approvals are not received for the establishment and changes in project scope or costs.	HIGH	HIGH	HIGH
Credit Cards	Credit Cards are issued to unauthorised employees.	MODERATE	LOW	LOW
Credit Cards	Credit Cards are used for purchases of a personal nature.	MODERATE	LOW	LOW
Credit Cards	Credit Card limits are set at inappropriate levels.	LOW	LOW	LOW
Elected Members Expenses	Elected Members obtain unauthorised private benefit from Council.	MODERATE	LOW	LOW
Elected Members Expenses	Elected Member expenses and allowances are inaccurately recorded or not recorded at all.	MODERATE	LOW	LOW
Employee Reimbursements	Employees are reimbursed for expenses of a personal nature.	MODERATE	LOW	LOW
Employee Reimbursements	Employee reimbursements are either inaccurately recorded or not recorded at all.	MODERATE	LOW	LOW
Other Expenses	Other Expenses are invalid, inaccurately recorded or not recorded at all.	LOW	LOW	LOW
Payroll	Voluntary and statutory payroll deductions are inaccurately processed or without authorisation.	HIGH	LOW	LOW
Payroll	Payroll expense is inaccurately calculated.	HIGH	LOW	LOW
Payroll	Payroll disbursements are made to incorrect or fictitious employees.	HIGH	LOW	LOW
Payroll	Payroll master file does not remain pertinent and/or unauthorised changes are made to the payroll master file.	HIGH	LOW	LOW
Payroll	Time and/or attendance data is either invalid, inaccurately recorded or not recorded at all.	HIGH	MODERATE	MODERATE
Payroll	Employees termination payments are not in accordance with statutory and enterprise agreements	HIGH	LOW	LOW

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Purchasing and Procurement	Supplier master file data does not remain pertinent and/or unauthorised changes are made to the supplier master file.	HIGH	LOW	LOW
Purchasing and Procurement	Council does not obtain value for money in its purchasing and procurement.	HIGH	LOW	LOW
Purchasing and Procurement	Purchase orders are made for unapproved goods and services.	HIGH	MODERATE	MODERATE
Purchasing and Procurement	Purchases of goods and services are made from non-preferred suppliers.	HIGH	MODERATE	LOW
Purchasing and Procurement	Purchase orders are either recorded inaccurately or not recorded at all.	HIGH	MODERATE	MODERATE
Contracting	Council does not obtain value for money in relation to its Contracting.	HIGH	LOW	MODERATE
Contracting	Council is not able to demonstrate that all probity issues have been addressed in the Contracting process.	HIGH	LOW	MODERATE
Contracting	Commitments are made for unapproved goods and services.	HIGH	LOW	LOW
Governance	Delegations of authority are not commensurate with job roles and responsibilities.	EXTREME	LOW	LOW
Governance	Staff are not aware of their responsibilities to ensure good governance including compliance with policies, procedures and relevant legislation.	HIGH	HIGH	MODERATE
Governance	Policies and Procedures do not reflect current requirements.	HIGH	HIGH	MODERATE
Accounts Payable	Disbursements are not authorised properly.	HIGH	LOW	LOW
Accounts Payable	Credit notes and other adjustments to accounts payable are either inaccurately recorded or not recorded at all.	HIGH	LOW	LOW
Accounts Payable	Accounts payable amounts and disbursements are either inaccurately recorded or not recorded at all.	HIGH	LOW	LOW
Accounts Payable	Accounts are not paid on a timely basis.	MODERATE	MODERATE	LOW
Accrued Expenses	Accrued Expenses are either inaccurately recorded or not recorded at all.	LOW	LOW	LOW
Borrowings	Borrowings are either not recorded or are recorded inaccurately.	MODERATE	LOW	LOW
Borrowings	Loan repayments are not recorded at all or are recorded inaccurately.	LOW	LOW	LOW
Borrowings	Loans are taken out without appropriate approval.	MODERATE	LOW	LOW
Borrowings	Lack of working capital to meet Council's financial commitments.	HIGH	MODERATE	MODERATE
Borrowings	Loans are not repaid in accordance with the agreed terms.	MODERATE	LOW	LOW
Employee Provisions	Employee provisions are either inaccurately recorded or not recorded at all.	MODERATE	LOW	LOW
Taxation	Tax liabilities are either inaccurately recorded or not recorded at all.	MODERATE	LOW	LOW
Taxation	Council does not meet statutory reporting/lodgement deadlines.	MODERATE	LOW	LOW
Grants	Council loses recurrent Grant funding to provide existing service.	HIGH	HIGH	HIGH
Grants	Grant funding is not claimed by Council on a timely basis or not claimed at all.	HIGH	HIGH	MODERATE
Grants	Grants are either inaccurately recorded or not recorded at all.	MODERATE	MODERATE	LOW
Investment/Interest Income	Investment income is either inaccurately recorded or not recorded at all.	LOW	LOW	LOW
Other Revenue	Other Revenue is either inaccurately recorded or not recorded at all.	LOW	LOW	LOW
Rates/Rate Rebates	The Property master file data does not remain pertinent.	EXTREME	LOW	LOW
Rates/Rate Rebates	Rates and rate rebates are either inaccurately recorded or not recorded at all.	HIGH	LOW	LOW
Rates/Rate Rebates	Council does not raise the correct level of rate income.	EXTREME	LOW	LOW
Rates/Rate Rebates	Rates are not collected on a timely basis.	LOW	LOW	LOW
Receipting	Receipts are either inaccurately recorded or not recorded at all.	HIGH	LOW	LOW
Receipting	Receipts are not deposited at the bank on a timely basis.	HIGH	LOW	LOW
User Pay Income - Fee for Service	User pay income is either inaccurately recorded or not recorded at all.	MODERATE	LOW	LOW
User Pay Income - Fee for Service	The fee charged does not reasonably reflect the value of the services provided.	MODERATE	LOW	LOW
User Pay Income - Fee for Service	Council does not apply User Pay principles consistently.	MODERATE	LOW	LOW
Budgets	Budgets are inaccurately recorded due to variances between the budget adopted by Council and its finance system.	HIGH	LOW	LOW
Budgets	Unrealistic Budgets.	EXTREME	LOW	LOW
Budgets	Budgets do not reflect strategic objectives.	EXTREME	LOW	MODERATE
Budgets	Budgets are not compliant with relevant legislation.	HIGH	LOW	LOW
General Ledger	General Ledger does not contain accurate financial information.	HIGH	LOW	LOW
General Ledger	Data contained within the General Ledger is permanently lost.	EXTREME	LOW	LOW
Management Reporting	KPIs are not consistent with Corporate Objectives and accounting policies adopted by Council are not adhered to by Council administration.	HIGH	LOW	LOW
Management Reporting	Council's financial information is not reviewed in a timely manner to enable effective decision making.	HIGH	LOW	MODERATE
Management Reporting	Significant budget variances are either not investigated on a timely basis or not investigated at all.	HIGH	LOW	LOW
Management Reporting	Council's management reports provide inaccurate financial information.	HIGH	LOW	LOW
Statutory Reporting	Council's statutory reports provide inaccurate financial information.	MODERATE	LOW	LOW
Statutory Reporting	Council does not comply with statutory reporting requirements and deadlines.	MODERATE	LOW	LOW

5.5 ASSET ACCOUNTING POLICY

Author: Kahli Rolton, Manager Financial Services
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Asset Accounting Policy' as presented on Wednesday 2 April 2025 be noted.
2. That the amended Asset Accounting Policy, having been reviewed by the Audit and Risk Committee on 2 April 2025 be recommended to Council for adoption.
3. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the policy arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

PURPOSE

To present the Asset Accounting Policy which is recommended for amendment, information and endorsement of the Audit and Risk Committee's prior to presenting to Council for adoption.

TERMS OF REFERENCE

Part 1.3 of the relevant Terms of Reference sets out the functions of the Committee, in particular:

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

(h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis."

Section 12 of the relevant Terms of Reference sets out the Role of the Audit and Risk Committee, in particular:

"12.1.2 Review and challenge where necessary:

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

Any policies or procedures falling within the ambit of the above provision, or as otherwise required, are presented to the Committee for endorsement and information prior to being presented to Council for adoption.

RELEVANT LEGISLATION

Section 126 (1a) of the Local Government Act 1999 (the Act) states that the purpose of an audit and risk committee established by a council (the Committee) is to provide independent assurance and advice to the council on accounting, financial management, internal controls, risk management and governance matters.

BACKGROUND / OPTIONS

Council periodically reviews its policies and procedures during each Council term, unless legislative provisions or administration execution require otherwise, to ensure they remain up to date with legislative, administrative or civic requirements, Council and community expectation and emerging practices in the sector.

Prior Reviews of Policy

The last review of the Asset Accounting policy was completed by the Audit and Risk Committee at the meeting on **3 June 2024** and adopted at the following Council meeting. This review was completed following the asset revaluation of buildings and structures and other infrastructure including storm water drainage, retaining walls and carparks asset categories. Amendments made to the Policy included definition for bore assets and non-recognition of depreciation, update to asset useful lives, frequency of revaluations and assets not subject to revaluation.

Next steps identified that a review of capital thresholds will be undertaken with key stakeholders across Council as part of the next stage of the Asset Management Planning Approach unlocking project (a key foundational project within Council's three year Strategic Work Program).

Prior to this, the Policy was reviewed at the Audit and Risk Committee meeting on **11 September 2023** and adopted at the following Council meeting. This review was completed following the asset valuation for the major classes within the Infrastructure asset class to ensure alignment.

Auditor Matters

The external auditors, identified 4 matters to be addressed in future financial years as part of their balance date audit for the year ended 30 June 2024. One of the matters related to an Accounting Policy for Caroline Landfill. Updates to the Asset Accounting Policy include reference to landfill capping and future restoration assets and associated liability provisions to meet this requirement and ensure retention of knowledge due to the material changes that occurred in 2023/2024.

Summary of Amendments to Policy

1. **Thresholds** – capitalisation thresholds have increased from \$5,000 to \$10,000 for Infrastructure, Building and Structures, Landfill assets.
2. **Landfill** – accounting for landfill construction, capping and future restoration has been detailed at various parts throughout the policy to cover depreciation, liability provisions and revaluations.
3. **Incremental Valuations** – reduction of incremental revaluation increases to a flat rate of 1%, previously CPI. Council has recently experienced significant increases over the last two financial years for revaluations on various Infrastructure asset categories and Buildings and Structures. Further to this, Council has reviewed the capitalisation of its costs to ensure a more accurate (increased) representation of capital costs with the purpose of reducing the gap between capital costs and revaluation variances. Costs that have been reviewed include:
 - Allocation of project management costs for Management and Coordinators who do not directly allocate their time to capital projects and are directly involved in the capital project.
 - Allocation of internal charge for dumping waste at Caroline Landfill. The exact information for allocation is available per project and the finance team have worked collaboratively with the waste and constructions teams to implement this process change and more accurately reflect the cost of service.
 - Labour oncost percentage for outdoor workers. This was previously set to 28% which covered only direct employment oncosts. The labour oncost percentage now incorporates depot administration and training costs which are directly related to their ability to perform their work. In 2024/2025 labour oncost for outdoor workers was set to 56%.
 - The assumptions behind these allocations were reviewed and verified by the external auditors last year. Further reviews are ongoing annually as part of the next year budget preparations.

Due to these changes and in light of the ESCOSA report, Council administration would prefer a conservative approach to incremental revaluation increases in off revaluation years. This is for a number of reasons:

- There is work to be done on ensuring that Council's actual asset consumption is in line with useful lives.
- A review of the Grants Commission database reports for 2022/2023 showed that the City of Mount Gambier Depreciation was 24% of its total operating expenditure. The average of all South Australian Council's was 23%. Noting that 2022/2023 did not include the significant increase in "found" assets for stormwater drainage following the Other Infrastructure revaluation, nor did it include the Buildings and Structure revaluation. For context the 2023/2024 financial statements called out some of the significant increases in depreciation as a result of the revaluation as follows:
 - Other Infrastructure – Stormwater, Retaining Walls and Carparks – 59% average increase
 - Buildings and Structures – 13% average increase
- Unknown CPI and possibility of reductions in future years, where these reductions may not be recognised properly due to the cumulative nature of the incremental revaluation increases applied annually.
- Do not want to be in a position where rates have been raised too high due to incremental revaluation increases being too high.

4. **Minor** grammatical and wording adjustments as required.

DETAILED IMPLICATIONS

Legal	The Local Government Act 1999 and other Acts require Council to adopt certain 'mandatory' policies. Except where prescribed there is no legislative requirement to review policies with any particular frequency or time period, however it is practically necessary and a common sector practice. Council has resolved to review each policy at least once during the Council term (i.e. during the period November 2022 to November 2026). Noting policies should be reviewed prior to the election caretaker period commencing in August / September 2026.
Financial and Budget	There are no immediate financial implications arising from the amendments.
Community Consultation and Engagement	n/a
Other Resources	External Auditor Matter to be addressed: Given the work undertaken in FY24 to update Council's provision for the Caroline Landfill capping and post closure rehabilitation provision, we recommend that Council undertakes a detailed review and update to its key strategic plans to ensure that they reflect the updated assumptions and estimates

RISK ANALYSIS

The risk identification and categorisation relies on the City of Mount Gambier [Risk Management Policy](#).

Risk	Consequence Rating	Risk Likelihood Rating	Risk Rating	Mitigation
Finance - Policies are not reviewed on regularly and result in increased financial impact.	Insignificant (1)	Rare (1)	Low	Audit & Risk Committee oversight of policies / procedures relating to governance, finance and risk.

Reputation - Loss in trust and transparency from Community if good governance over Policies is not prioritised and maintained.	Minor (2)	Unlikely (2)	Low	Regular reporting on Policy review schedule to maintain accountability and transparency for the community.
Legal / Regulatory / Policy - Policies are not reviewed regularly and do not reflect changes in legislations or organisational practices	Major (4)	Rare (1)	Moderate	Audit & Risk Committee oversight of policies / procedures relating to governance, finance and risk.

RELEVANT COUNCIL POLICY

[Asset Accounting](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

The updated Policy is intended to be managed in accordance with the review schedule framework already in place / operation.

Following adoption by Council an updated version of the Policy will be made publicly available on Council's website.

CONCLUSION

The Asset Accounting Policy is a key financial policy that ensures that all Council owned and controlled assets are valued and depreciated in accordance with relevant Australian Accounting Standards ("the Standards) pursuant to Local Government Act 1999 under section 303(4).

Minor improvements have been made to the Policy following preparation work on next years budget, progress towards the strategic Asset Management unlocking project and next steps identified at the last review of the Policy.

ATTACHMENTS

1. DRAFT Council Policy - Asset Accounting [5.5.1 - 12 pages]
2. DRAFT Council Policy - Asset Accounting (with track changes) [5.5.2 - 12 pages]

 <p>City of Mount Gambier</p>	<p>COUNCIL POLICY ASSET ACCOUNTING POLICY</p>		Version No:	65.0
			Issued:	18 June 2024 April 2025
			Next Review:	June 2026

1. INTRODUCTION:

The purpose of this policy is to ensure that all Council owned assets are valued and depreciated in accordance with relevant Australian Accounting Standards ("the Standards") pursuant to Local Government Act 1999 under section 303(4).

2. PURPOSE:

The purpose of this policy is to provide clear direction to management, staff and Council in relation to the Asset Accounting function.

Council will only acquire assets after due consideration of the service needs of the community and the operating needs of the Council. Service levels will be determined in consultation with the community and in line with the Council's 'duty of care' to the community.

3. SCOPE:

The scope of this policy is to ensure:

- **Asset Life** - That Council makes a distinction between costs incurred on long-lived assets and costs incurred on goods and services for immediate consumption;
- **Depreciation** - All depreciation estimates are prepared and maintained in accordance with the Standards and reviewed annually; and
- **Revaluations** - Are performed at a sufficient frequency to ensure that the carrying amount does not differ materially from the fair value at the reporting date.

This Policy is applicable to all Council owned and controlled assets.

The scope of this policy includes 'right-of-use assets' as defined in AASB 16 Leases.

Specific exclusions from this Policy

- Library Books have been treated as an operating expense from the 2022/2023 financial year.
- Assets not considered under Council control
- Where an asset is owned as tenants in common or jointly, only the portion of ownership and control relative to Council is included.

4. DEFINITIONS:

Key Term - Acronym	Definition
Amortisation	The systematic allocation of the depreciable amount of an asset over its useful life (e.g. for an asset valued at \$500,000 <u>and no residual value</u> with a 5 year useful life the annual amount amortised would be \$100,000 per annum).
Asset	A resource with economic value that is owned or controlled by an entity with the expectation that it will provide a future benefit.

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		Issued:	18 June 2024
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Key Term - Acronym	Definition
Asset Class	A group of assets having a similar nature or function in the operations and for purpose.
Asset Consumption Ratio	Value of infrastructure assets/gross current replacement cost of infrastructure assets.
Asset Management	The combination of management, financial, economic, engineering and other practices applied to physical assets with the objective of providing the required level of service in the most cost-effective manner.
Asset Renewal Funding Ratio	Capital expenditure on renewal or replacement of existing assets as a percentage of asset management plans allocation. Capital expenditure on renewal or replacement of existing assets / Asset Management Plan.
Asset Register	A register for reliably recording inventory type details of an asset and may incorporate other information such as condition, valuation and location.
Carrying Amount	The amount at which an asset is recognised after deducting any accumulated depreciation and accumulated impairment losses.
Componentisation	The process of breaking down physical or non-physical asset into its individual components or parts for the purposes of accounting, valuation, and management.
Cost	The amount of cash or cash equivalents paid, or the fair value to acquire an asset at the time of its acquisition or construction.
Cost Model	After recognition as an asset, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.
Depreciation	The monetary value of an asset decreases over time (useful life) due to use, wear and tear or obsolescence. This decrease is measured as depreciation. Depreciation is the measure of 'using up' or consumption of the asset, in providing that asset to the community and is measured on an annual basis.
Depreciable Amount	The cost of an asset or any other amount substituted for cost, less its residual value.

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Key Term - Acronym	Definition
Fair Value	Is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
Gifted Assets	Is an asset constructed or purchased by a party other than a Council (typically a developer) and transferred to Council to maintain.
Impairment Loss	Is the amount by which the carrying amount of an asset exceeds its recoverable amount.
Intangible Assets	Are identified as non-monetary assets without physical substance. Some examples of intangible assets include; licences, intellectual property and computer software.
Maintenance	Regular ongoing day-to-day work necessary to keep assets operating, and does not extend the asset's useful life e.g. road patching. This is an operating expense as this does not increase the value of the asset.
Materiality	Information is material if its omission, mis-statement or non-disclosure has the potential, individually or collectively, to influence the economic decisions of users taken on the basis of the financial report or affect the discharge of accountability by the management or elected representatives of the Council.
New Asset	Is the creation of a new asset to meet additional service level requirements, e.g. a new building.
Non-current assets	Are assets that have an estimated life of greater than one year. They also include some financial assets that are not expected to be recovered within a year of the reporting date.
Operations	Regular activities of the council e.g. street sweeping, grass mowing, street lighting.
Right Of Use Asset	A right of use asset, or ROU, is a lessee's right to use an asset over the course of a lease.
Renewal or replacement	Of an asset is where a previously existing asset is replaced, or its service life extended, without enhancement of the service capability except where this is incidental and unavoidable. e.g. gravel re-sheeting, reseal, etc.
Residual value	Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal at the end of its useful life.

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Key Term - Acronym	Definition
Revaluation Model	After initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.
Upgrade	Is the enhancement of an existing asset to provide a higher level of service, e.g. sealing an unsealed road.
Useful life	Is defined as the period over which an asset is expected to be available for use by the entity.

5. ROLES & RESPONSIBILITIES:

5.1 Council:

Council is responsible for adopting the policy, allocating budget, and providing high level oversight of the delivery of the Council's asset accounting policy. The Council is also responsible for ensuring that organisational resources are appropriately funded to guarantee adherence with this policy.

5.2 Chief Executive Officer:

The Chief Executive Officer is responsible for resourcing the implementation of the asset accounting policy and supporting procedures.

5.3 ~~General Managers, Asset Managers, Manager Financial Services and Management:~~

General Managers, ~~Asset Managers and the Manager, Financial Services and Management~~ are responsible for the application of the asset accounting policy and supporting procedures.

5.4 Employees:

Employees are responsible for adhering to the policy.

6. POLICY STATEMENTS:


6.1 This Policy applies the provisions of the Local Government Act 1999 (the Act) Section 124 (Accounting Records to be Kept) regarding Council's Fixed Assets and how financial information pertaining to Fixed Asset transactions and reconciliations are undertaken across all Council operations.

6.2 This Policy underpins how Council treats various categories of transactions recorded on its fixed asset register and fixed asset transactions, culminating in their publication in the annual financial statements required under Section 127 (Financial Statements) of the Act.

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7. POLICY PRINCIPLES

7.1 Valuation:

Valuation of Assets:

Fair Value - The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

Fair Value Hierarchy - AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

- **Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7.2 Depreciation:

Recognition of Depreciation Expense:

- **Commencement** - Depreciation expense commences from the time the asset is first put into use or held ready for use. Work-in-progress will not be depreciated until the asset is first put into use or held available for use.
- **Cessation** - Depreciation of an asset ceases when the asset is fully depreciated, or if the asset is determined to be held for sale. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.
- **Calculation** - In calculating depreciation on assets, each component of the asset which has a cost that is significant in relation to the total cost of the asset and has a materially different useful life, is to be depreciated separately.
- **Leasehold Improvements** - Where improvements are made to a leasehold property, these improvements will be allocated progressively over the unexpired portion of the lease or the useful lives of the improvements, whichever is the shorter. The unexpired period of the lease should include any options to extend the lease term when the exercise of the option is reasonably certain.
- **Non-Recognition Of Depreciation** - Council does not recognise depreciation on the following:
 - **Inventories** - as they are current assets;
 - **Non-current assets held for sale** - whilst classified as held for sale;
 - **Bores** - Refer to the hole in the ground only and are not traditional water bores subject to normal failures due to the unique environment of the City of Mount Gambier. The expectation is that once a bore is constructed no further work is required. In the event a bore is no longer needed or there are changes to the underground water table, thereby rendering the bores obsolete, future treatment will be that the existing bore will be left in place and abandoned with a new bore hole drilled in a more appropriate location. For noting, bore casings are separately componentised, valued and depreciated.

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- **Other relevant assets** - Land, works of art, rare books, manuscripts, unique historical and cultural objects where their service potential is not expected to diminish with time or use.


7.3 Impairment:

- An asset is impaired if the amount at which it is recognised in the Council's financial records is greater than its fair value. Council will ensure that the amount at which an asset is capitalised does not exceed its fair value. This will be reviewed on an annual basis and all impairment losses are to be shown in the operating statement as expenditure.

7.4 Depreciation Methodology:

- Asset Lives** - All assets with a useful life of more than one year (with the exception of the asset classes shown in the Non-Recognition of Depreciation section above), including intangible assets are depreciated over the useful life of the asset in accordance with Accounting Standards.

Asset Useful Lives	
Asset Class	(Years)
<i>Infrastructure:</i>	
Sealed Roads - Surface	15 - 40
Sealed Roads - Road Pavement	40 - 80
Sealed Roads - Road Subbase	120 - 240
Unsealed Roads	12 - 75
Paving and Footpaths	10 - 40
Kerb & Gutter	60 - 80
Carparks	15 - 80
Public Lighting	20
Stormwater Drainage	50 -125 (indefinite for bore holes)
Retaining Walls	40-120
Guard Rails and Safety Barriers	30
<i>Buildings & Other Structures:</i>	
Buildings	15 - 250
Park Structures	20 - 30
Playground Equipment	20 - 40
Benches, seats, etc	10 - 30
Waste Management – Landfill Assets	Capacity in use
Recreation and Open Space	10 - 100
Plant & Equipment and IT	3 - 30
Artworks & Historical Collections	Indefinite
Land	Indefinite
Other	10 - 15
Right of Use Assets	Life of the lease

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- **Depreciation** - ~~Other than land, footpath nature strips, art and historical collections, and landfill cells~~ All infrastructure, property, plant and equipment assets are systematically depreciated over their useful lives on a straight-line basis which best reflects the consumption of the service potential embodied in those assets, excluding: ~~land, footpath nature strips, art and historical collections, and landfill cells.~~ Are calculated on a "straight line basis" i.e. the depreciable amount divided by the useful life of the asset.

Landfill cell construction and capping assets are amortised on a consumption basis over the capacity to receive waste. Capping assets are amortised in line with the percentage of consumption of landfill cell's capacity in anyone year.

Land, footpath nature strips, art and historical collections are not depreciated.

- **Asset Additions** - Any expenditure that increases the value of the asset, are depreciated over the remaining useful life of the asset to which it relates.
- **Useful Life** - The useful life of an asset will be reviewed as required. Including at capitalisation of renewal of an asset where it is reasonable to expect that the renewal will increase the useful life of the asset in the interim period to a periodic revaluation.

7.5 Revaluations

Revaluation Methodology:

- **Asset Valuation** - Council treat the valuation of assets in two ways:
 - Firstly, where an asset is carried at cost and has some useful life after it has been fully depreciated, revaluation of the asset will not occur.
 - Secondly, assets that are carried at fair value will be revalued to ensure assets are not fully depreciated before the end of their useful life.
- **Current Replacement Costs** - Are calculated using Council's own current contract unit rates, industry benchmarks and information supplied by other Councils where available. These costs are independently assessed by an appropriately qualified professional.
- **Condition Audits** - Are undertaken to determine the consumption of the asset and hence its fair value in respect to the replacement cost.

Frequency of Revaluation:


- **Fair Value Assets** - All assets carried at fair value are reviewed annually. To achieve this Council review replacement costs and apply incremental adjustments where material and appropriate for each asset class.
- **Condition Audits** - Are performed as per the asset management plans or where there is a material movement between the carrying value and fair value of the assets.
- **Frequency of Revaluation** - Frequency of revaluation for each asset class is shown in the table below:

Asset Category	Valuer	Frequency	Incremental Revaluation*
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Artworks and Historical Collections	External	Every 4 years	n/a
Land	<u>Office of the Valuer General (OVG)</u>	Annually	<u>Increased annually based on OVG</u> n/a
Buildings & Structures	External	Every 4 years	CPI 1% annually excluding year of valuation
Infrastructure	External	Every 4 years	CPI 1% annually excluding year of valuation
Recreation and Open Space	Internal and External	Every 4 years	CPI annually excluding year of valuation
Storm Water Drainage	External	Every 4 years	CPI 1% annually excluding year of valuation
Caroline Landfill Cell construction and capping	Internal	Annually	n/a
<u>Landfill future restoration</u>	<u>Internal</u>	<u>Every 4 years</u>	<u>n/a</u>

* a review will be undertaken in 2024/2025 for implementation.

It should be noted that revaluations may occur more frequently as required to incorporate changes to unit rates to ensure that the financial impact of valuations is minimised.

Revaluations and Accumulated Depreciation:

- **Accumulated Depreciation** - Following a revaluation the accumulated depreciation is restated proportionately to the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount. This is a requirement to achieve a comparative in the calculation of the asset consumption ratio.
- **Assets Not Subject To Revaluation** - Plant and equipment, Public Lighting, Guard Rails/Safety Barriers and IT and Office Equipment are recognised at actual cost less accumulated depreciation and any accumulated impairment. Council has one historical collection which is minor in the scheme of its total asset base and is not subject to revaluation.
- **Landfill cell construction and capping assets** – The construction of a landfill waste cell will not be subject to revaluation. The capping asset and associated liability provision will be reviewed annually to determine if the amounts provided for are reasonable. Where an adjustment is required to the value of a capping asset, this will be added/deducted to the value of the asset and offset by an increase/decrease to liability provision.
- **Landfill future restoration asset** – The recognition of a future restoration asset is similar in nature to a make good provision. The future restoration and associated

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liability provision will be reviewed every 4 years to determine if the amounts provided for are reasonable. Where an adjustment is required to the value of the restoration asset this will be added/deducted to the value of the asset and offset by an increase/decrease to the liability provision.

7.6 Liability provisions for asset recognition

Liability provisions associated with the recognition of landfill capping and future restoration assets will be unwound annually based best estimate for interest rate without adjustment to the asset.

7.6.7 Capitalisation:

Recognition and Thresholds:

- An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.
- AASB 116 states:


'The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity;

and

(b) the cost of the item can be measured reliably.'

- Council transfer assets to the asset register only when complete.
- Council recognises the capital cost of an asset comprises of:
 - **Purchase Price** - Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - **Directly Attributable Costs** - Any costs directly attributable to bringing the asset to the location and condition necessary (for example costs of site preparation, installation and assembly) for it to be capable of operating in the manner intended by Council;
 - **Employee Benefits** - Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant equipment e.g. project management costs;

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- **Testing** - Costs of testing whether the asset is functioning properly, after deducting net proceeds from selling any items needed to bring the asset to that location and/or condition;
- **Demolition/Removal** - Costs associated with the dismantling and/or removal of the asset and restoration or rehabilitation of the site on which it was located; and
- **Gifted Assets** - AASB 116 provides for a specific example relating to Local Government entities where an asset may be gifted to Council at no or nominal measurable cost. When this occurs, Council's administration is obliged to recognise the asset at fair value.
- **Borrowing Costs** - In relation to qualifying assets (net of offsetting investment revenue i.e. interest) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in the annual financial statements and the amount (if any) of interest revenue offset against borrowing costs.
- **Landfill capping assets – recognised based on best estimate of present value of cost of capping a newly constructed cell.**
- Council will classify all capital expenditure into the following categories:
 - New / Upgrade; and
 - Renewal.
- **Threshold** - The following principles will apply:
 - **Materiality** - A capitalisation recognition threshold is applied to each asset type using the concept of materiality. Costs below these thresholds are accordingly treated as an operating expense.
 - **Aggregation** - Where a number of the same assets for the same purpose are purchased at the same time and the cumulative value is greater than the threshold, the cumulative value can be capitalised.
 - **Excluded Classes** - No capitalisation threshold will be applied to the acquisition of land, interest in land, works of art, rare books, manuscripts, unique historical and cultural objects.

Asset Class:	Capital Threshold
<i>Infrastructure:</i>	
Road construction and reconstruction	\$ 105 ,000
Paving & Footpaths, Kerb & Gutter	\$ 105 ,000
Carparks	\$ 105 ,000
Stormwater Drainage	\$ 105 ,000
Buildings & Structures	\$ 105 ,000
Waste Management - Landfill Assets	\$ 105 ,000
Park & Playground Furniture & Equipment	\$5,000
Open Space and Heritage Place	\$5,000
Other (including IT)	\$5,000
Plant & Equipment	\$5,000

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Right of Use Asset	\$5,000
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7.77.8 Disposal Of Assets:

- **Gain Or Loss** - The difference between any net proceeds from disposal (after deducting selling costs) and the remaining carrying value of an asset will be treated as either a gain or loss in the year the asset is retired or disposed of.
- **Renewal** - Where existing assets are renewed the value of the component of the asset that has been renewed is to be disposed and a new asset created. If the part of the asset disposed of has been retained, its value needs to be recognised in the new asset or separated into a new asset component if its useful life differs materially to the new asset.
- **Further Guidance** - Further guidance and controls over the disposal of assets is provided under Council Policy 'P420 Procurement and Disposal of Land and Assets Policy'.

8. TRAINING / EDUCATION

Relevant staff will be adequately trained and qualified to implement and comply with this policy.

9. REVIEW

This Policy will be reviewed annually; or

- The frequency dictated in legislation; or
- Earlier in the event of changes to legislation or related policies and procedures; or
- If deemed necessary by the General Manager Corporate and Regulatory Services.

10. ACCESS TO THE POLICY

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

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File Reference:	AF18/48
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Reference: Strategic Plan – Beyond 2015	Goal 3, Strategic Objective Our Diverse Economy
Related Policies:	A900 Asset Management Policy Procurement Policy Disposal of Land and Assets Policy B300 Budget Framework Policy
Related Procedures:	

DOCUMENT DETAILS

Responsibility:	General Manager Corporate and Regulatory Services
Version:	65 .0
Last revised date:	18 June 2024
Effective date:	18 June 2024
Minute reference:	18 June 2023 – Item 16.6 – Resolution 2024/119
<u>Document History</u> First Adopted By Council: Reviewed/Amended:	19 April 2022 13 December 2022, 19 September 2023, 18 June 2024

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		Issued:	April 2025
		Next Review:	June 2026

1. INTRODUCTION:

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2. PURPOSE:

The purpose of this policy is to provide clear direction to management, staff and Council in relation to the Asset Accounting function.

Council will only acquire assets after due consideration of the service needs of the community and the operating needs of the Council. Service levels will be determined in consultation with the community and in line with the Council's 'duty of care' to the community.

3. SCOPE:

The scope of this policy is to ensure:

- **Asset Life** - That Council makes a distinction between costs incurred on long-lived assets and costs incurred on goods and services for immediate consumption;
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Depreciation	The monetary value of an asset decreases over time (useful life) due to use, wear and tear or obsolescence. This decrease is measured as depreciation. Depreciation is the measure of 'using up' or consumption of the asset, in providing that asset to the community and is measured on an annual basis.
Depreciable Amount	The cost of an asset or any other amount substituted for cost, less its residual value.

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New Asset	Is the creation of a new asset to meet additional service level requirements, e.g. a new building.
Non-current assets	Are assets that have an estimated life of greater than one year. They also include some financial assets that are not expected to be recovered within a year of the reporting date.
Operations	Regular activities of the council e.g. street sweeping, grass mowing, street lighting.
Right Of Use Asset	A right of use asset, or ROU, is a lessee's right to use an asset over the course of a lease.
Renewal or replacement	Of an asset is where a previously existing asset is replaced, or its service life extended, without enhancement of the service capability except where this is incidental and unavoidable. e.g. gravel re-sheeting, reseal, etc.
Residual value	Of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal at the end of its useful life.

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Key Term - Acronym	Definition
Revaluation Model	After initial recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.
Upgrade	Is the enhancement of an existing asset to provide a higher level of service, e.g. sealing an unsealed road.
Useful life	Is defined as the period over which an asset is expected to be available for use by the entity.

5. ROLES & RESPONSIBILITIES:

5.1 Council:

Council is responsible for adopting the policy, allocating budget, and providing high level oversight of the delivery of the Council's asset accounting policy. The Council is also responsible for ensuring that organisational resources are appropriately funded to guarantee adherence with this policy.

5.2 Chief Executive Officer:

The Chief Executive Officer is responsible for resourcing the implementation of the asset accounting policy and supporting procedures.

5.3 General Managers and Management:

General Managers and Management are responsible for the application of the asset accounting policy and supporting procedures.

5.4 Employees:

Employees are responsible for adhering to the policy.


6. POLICY STATEMENTS:

- 6.1 This Policy applies the provisions of the Local Government Act 1999 (the Act) Section 124 (Accounting Records to be Kept) regarding Council's Fixed Assets and how financial information pertaining to Fixed Asset transactions and reconciliations are undertaken across all Council operations.
- 6.2 This Policy underpins how Council treats various categories of transactions recorded on its fixed asset register and fixed asset transactions, culminating in their publication in the annual financial statements required under Section 127 (Financial Statements) of the Act.

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7. POLICY PRINCIPLES

7.1 Valuation:

Valuation of Assets:

Fair Value - The fair value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

Fair Value Hierarchy - AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a "level" in the fair value hierarchy as follows:

- **Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- **Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- **Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

7.2 Depreciation:

Recognition of Depreciation Expense:

- **Commencement** - Depreciation expense commences from the time the asset is first put into use or held ready for use. Work-in-progress will not be depreciated until the asset is first put into use or held available for use.
- **Cessation** - Depreciation of an asset ceases when the asset is fully depreciated, or if the asset is determined to be held for sale. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.
- **Calculation** - In calculating depreciation on assets, each component of the asset which has a cost that is significant in relation to the total cost of the asset and has a materially different useful life, is to be depreciated separately.
- **Leasehold Improvements** - Where improvements are made to a leasehold property, these improvements will be allocated progressively over the unexpired portion of the lease or the useful lives of the improvements, whichever is the shorter. The unexpired period of the lease should include any options to extend the lease term when the exercise of the option is reasonably certain.
- **Non-Recognition Of Depreciation** - Council does not recognise depreciation on the following:
 - **Inventories** - as they are current assets;
 - **Non-current assets held for sale** - whilst classified as held for sale;
 - **Bores** - Refer to the hole in the ground only and are not traditional water bores subject to normal failures due to the unique environment of the City of Mount Gambier. The expectation is that once a bore is constructed no further work is required. In the event a bore is no longer needed or there are changes to the underground water table, thereby rendering the bores obsolete, future treatment will be that the existing bore will be left in place and abandoned with a new bore hole drilled in a more appropriate location. For noting, bore casings are separately componentised, valued and depreciated.

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- **Other relevant assets** - Land, works of art, rare books, manuscripts, unique historical and cultural objects where their service potential is not expected to diminish with time or use.

7.3 Impairment:

- An asset is impaired if the amount at which it is recognised in the Council's financial records is greater than its fair value. Council will ensure that the amount at which an asset is capitalised does not exceed its fair value. This will be reviewed on an annual basis and all impairment losses are to be shown in the operating statement as expenditure.

7.4 Depreciation Methodology:

- Asset Lives** - All assets with a useful life of more than one year (with the exception of the asset classes shown in the Non-Recognition of Depreciation section above), including intangible assets are depreciated over the useful life of the asset in accordance with Accounting Standards.

Asset Useful Lives	
Asset Class	(Years)
<i>Infrastructure:</i>	
Sealed Roads - Surface	15 - 40
Sealed Roads - Road Pavement	40 - 80
Sealed Roads - Road Subbase	120 - 240
Unsealed Roads	12 - 75
Paving and Footpaths	10 - 40
Kerb & Gutter	60 - 80
Carparks	15 - 80
Public Lighting	20
Stormwater Drainage	50 -125 (indefinite for bore holes)
Retaining Walls	40-120
Guard Rails and Safety Barriers	30
<i>Buildings & Other Structures:</i>	
Buildings	15 - 250
Park Structures	20 - 30
Playground Equipment	20 - 40
Benches, seats, etc	10 - 30
Waste Management – Landfill Assets	Capacity in use
Recreation and Open Space	10 - 100
Plant & Equipment and IT	3 - 30
Artworks & Historical Collections	Indefinite
Land	Indefinite
Other	10 - 15
Right of Use Assets	Life of the lease

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- **Depreciation** - All infrastructure, property, plant and equipment assets are systematically depreciated over their useful lives on a straight-line basis which best reflects the consumption of the service potential embodied in those assets, excluding: land, footpath nature strips, art and historical collections, and landfill cells.
Landfill cell construction and capping assets are amortised on a consumption basis over the capacity to receive waste. Capping assets are amortised in line with the percentage of consumption of landfill cell's capacity in anyone year.
Land, footpath nature strips, art and historical collections are not depreciated.
- **Asset Additions** - Any expenditure that increases the value of the asset, are depreciated over the remaining useful life of the asset to which it relates.
- **Useful Life** - The useful life of an asset will be reviewed as required. Including at capitalisation of renewal of an asset where it is reasonable to expect that the renewal will increase the useful life of the asset in the interim period to a periodic revaluation.

7.5 Revaluations


Revaluation Methodology:

- **Asset Valuation** - Council treat the valuation of assets in two ways:
 - Firstly, where an asset is carried at cost and has some useful life after it has been fully depreciated, revaluation of the asset will not occur.
 - Secondly, assets that are carried at fair value will be revalued to ensure assets are not fully depreciated before the end of their useful life.
- **Current Replacement Costs** - Are calculated using Council's own current contract unit rates, industry benchmarks and information supplied by other Councils where available. These costs are independently assessed by an appropriately qualified professional.
- **Condition Audits** - Are undertaken to determine the consumption of the asset and hence its fair value in respect to the replacement cost.

Frequency of Revaluation:

- **Fair Value Assets** - All assets carried at fair value are reviewed annually. To achieve this Council review replacement costs and apply incremental adjustments where material and appropriate for each asset class.
- **Condition Audits** - Are performed as per the asset management plans or where there is a material movement between the carrying value and fair value of the assets.
- **Frequency of Revaluation** - Frequency of revaluation for each asset class is shown in the table below:

Asset Category	Valuer	Frequency	Incremental Revaluation*
Artworks and Historical Collections	External	Every 4 years	n/a

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Land	Office of the Valuer General (OVG)	Annually	Increased annually based on OVG
Buildings & Structures	External	Every 4 years	1% annually excluding year of valuation
Infrastructure	External	Every 4 years	1% annually excluding year of valuation
Storm Water Drainage	External	Every 4 years	1% annually excluding year of valuation
Landfill Cell construction and capping	Internal	Annually	n/a
Landfill future restoration	Internal	Every 4 years	n/a

* a review will be undertaken in 2024/2025 for implementation.

It should be noted that revaluations may occur more frequently as required to incorporate changes to unit rates to ensure that the financial impact of valuations is minimised.

Revaluations and Accumulated Depreciation:

- **Accumulated Depreciation** - Following a revaluation the accumulated depreciation is restated proportionately to the gross carrying amount of the asset, so that the carrying amount of the asset after revaluation equals its revalued amount. This is a requirement to achieve a comparative in the calculation of the asset consumption ratio.
- **Assets Not Subject To Revaluation** - Plant and equipment, Public Lighting, Guard Rails/Safety Barriers and IT and Office Equipment are recognised at actual cost less accumulated depreciation and any accumulated impairment. Council has one historical collection which is minor in the scheme of its total asset base and is not subject to revaluation.
- **Landfill cell construction and capping assets** – The construction of a landfill waste cell will not be subject to revaluation. The capping asset and associated liability provision will be reviewed annually to determine if the amounts provided for are reasonable. Where an adjustment is required to the value of a capping asset, this will be added/deducted to the value of the asset and offset by an increase/decrease to liability provision.
- **Landfill future restoration asset** – The recognition of a future restoration asset is similar in nature to a make good provision. The future restoration and associated liability provision will be reviewed every 4 years to determine if the amounts provided for are reasonable. Where an adjustment is required to the value of the restoration asset this will be added/deducted to the value of the asset and offset by an increase/decrease to the liability provision.

7.6 Liability provisions for asset recognition

Liability provisions associated with the recognition of landfill capping and future

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restoration assets will be unwound annually based best estimate for interest rate without adjustment to the asset.

7.7 Capitalisation:

Recognition and Thresholds:

- An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost.
- AASB 116 states:

‘The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:

(a) it is probable that future economic benefits associated with the item will flow to the entity;


and

(b) the cost of the item can be measured reliably.’
- Council transfer assets to the asset register only when complete.
- Council recognises the capital cost of an asset comprises of:
 - **Purchase Price** - Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
 - **Directly Attributable Costs** - Any costs directly attributable to bringing the asset to the location and condition necessary (for example costs of site preparation, installation and assembly) for it to be capable of operating in the manner intended by Council;
 - **Employee Benefits** - Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant equipment e.g. project management costs;
 - **Testing** - Costs of testing whether the asset is functioning properly, after deducting net proceeds from selling any items needed to bring the asset to that location and/or condition;
 - **Demolition/Removal** - Costs associated with the dismantling and/or removal of the asset and restoration or rehabilitation of the site on which it was located; and
 - **Gifted Assets** - AASB 116 provides for a specific example relating to Local Government entities where an asset may be gifted to Council at no or nominal measurable cost. When this occurs, Council's administration is obliged to recognise the asset at fair value.
 - **Borrowing Costs** - In relation to qualifying assets (net of offsetting investment revenue i.e. interest) have been capitalised in accordance with AASB 123 "Borrowing Costs". The amounts of borrowing costs recognised as an expense or as part of the carrying amount of qualifying assets are disclosed in the annual financial statements and the amount (if any) of interest revenue offset against borrowing costs.
 - **Landfill capping assets** – recognised based on best estimate of present value of cost of capping a newly constructed cell.
- Council will classify all capital expenditure into the following categories:
 - New / Upgrade; and
 - Renewal.

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- **Threshold** - The following principles will apply:
 - **Materiality** - A capitalisation recognition threshold is applied to each asset type using the concept of materiality. Costs below these thresholds are accordingly treated as an operating expense.
 - **Aggregation** - Where a number of the same assets for the same purpose are purchased at the same time and the cumulative value is greater than the threshold, the cumulative value can be capitalised.
 - **Excluded Classes** - No capitalisation threshold will be applied to the acquisition of land, interest in land, works of art, rare books, manuscripts, unique historical and cultural objects.

Asset Class:	Capital Threshold
<i>Infrastructure:</i>	
Road construction and reconstruction	\$10,000
Paving & Footpaths, Kerb & Gutter	\$10,000
Carparks	\$10,000
Stormwater Drainage	\$10,000
Buildings & Structures	\$10,000
Waste Management - Landfill Assets	\$10,000
Park & Playground Furniture & Equipment	\$5,000
Other (including IT)	\$5,000
Plant & Equipment	\$5,000
Right of Use Asset	\$5,000

7.8 Disposal Of Assets:

- **Gain Or Loss** - The difference between any net proceeds from disposal (after deducting selling costs) and the remaining carrying value of an asset will be treated as either a gain or loss in the year the asset is retired or disposed of.
- **Renewal** - Where existing assets are renewed the value of the component of the asset that has been renewed is to be disposed and a new asset created. If the part of the asset disposed of has been retained, its value needs to be recognised in the new asset or separated into a new asset component if its useful life differs materially to the new asset.
- **Further Guidance** - Further guidance and controls over the disposal of assets is provided under Council Policy 'P420 Procurement and Disposal of Land and Assets Policy'.

8. TRAINING / EDUCATION

Relevant staff will be adequately trained and qualified to implement and comply with this policy.

9. REVIEW


This Policy will be reviewed annually; or

- The frequency dictated in legislation; or

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- Earlier in the event of changes to legislation or related policies and procedures; or
- If deemed necessary by the General Manager Corporate and Regulatory Services.

10. ACCESS TO THE POLICY

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

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File Reference:	AF18/48
Applicable Legislation:	Local Government Act 1999 Local Government (Financial Management) Regulations 2011
Reference: Strategic Plan – Beyond 2015	Goal 3, Strategic Objective Our Diverse Economy
Related Policies:	A900 Asset Management Policy Procurement Policy Disposal of Land and Assets Policy B300 Budget Framework Policy
Related Procedures:	

DOCUMENT DETAILS

Responsibility:	General Manager Corporate and Regulatory Services
Version:	6.0
Last revised date:	18 June 2024
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Minute reference:	18 June 2023 – Item 16.6 – Resolution 2024/119
<u>Document History</u> First Adopted By Council: Reviewed/Amended:	19 April 2022 13 December 2022, 19 September 2023, 18 June 2024

5.6 ESCOSA LOCAL GOVERNMENT ADVICE FEBRUARY 2025

Author: Kahli Rolton, Manager Financial Services
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'ESCOSA Local Government Advice February 2025' as presented on Wednesday 2 April 2025 be noted.
2. That having reviewed the ESCOSA Local Government Advice for the City of Mount Gambier dated February 2025, the Audit and Risk Committee tables the following commentary and recommendations for Council consideration:
 - (a) The Committee acknowledges ESCOSA's assessment that the City of Mount Gambier's financial performance is mostly sustainable and recognises the importance of addressing key risks impacting sustainability.
 - (b) *(insert Committee recommendations here or remove)*

PURPOSE

The purpose of this report is to:

- formally table the Essential Services Commission of South Australia (ESCOSA) Local Government Advice for the City of Mount Gambier, dated February 2025.
- enable the Audit and Risk Committee to provide any recommendations to Council to assist in addressing ESCOSA's recommendations and observations.

TERMS OF REFERENCE

12.8 ESCOSA Review

Review and provide comment on ESCOSA's advice to Council regarding Council's financial sustainability.

RELEVANT LEGISLATION

On 30 April 2022, amendments to the Local Government Act 1999 came into operation. They introduced an advisory scheme that aims to give ratepayers confidence that the rates they pay are set at the level necessary for their council to provide the services they value. The Essential Services Commission (ESCOSA) is the advisory body.

The scheme provides advice only, with decision making in the hands of Council. However, the scheme requires both ESCOSA and Council to publish the advice and if a council wishes to respond to the advice, that council must publish that response in its annual business plan.

BACKGROUND / OPTIONS

ESCOSA's review of the City of Mount Gambier has advised that the historic, current and projected financial performance is mostly sustainable. In forming this advice ESCOSA identified 4 risks impacting sustainability and made 6 recommendations along with many observations. Full details of the ESCOSA advice are attached to this report with some of the key risks and recommendations detailed below.

ESCOSA REPORT SUMMARY

Risks Impacting Sustainability

- Financial Sustainability is dependent upon rates growth well above CPI.
- Constraint in the level of operating expenses is needed to ensure affordability risks are minimised.
- Proposed further investment in new and upgraded assets will create a stream of future renewal requirements (including repairs and maintenance) that will increase ongoing costs.
- Not prioritising the renewal of its assets, which may increase asset sustainability risks or result in lower service levels to its community.

ESCOSA Recommendations

1. Disclose material changes to its capital expenditure forecasts as part of its annual review and update to its Long-Term Financial Plans.
2. Develop a plan to achieve cost saving measures and targets and report annually in the budget and the Long-Term Financial Plans as appropriate, to provide evidence of controlling the growth in costs and achieving efficiencies across its operations and service delivery.
3. Review its planned pace of repayment of debt, balancing rate increases, financial costs, and intergenerational equity.
4. Review its depreciation assumptions and the underlying valuations and useful life data to ensure that depreciation accurately reflects the rate of asset consumption and ensure that asset renewal and replacement is fully funded.
5. Review its pace of development of new and upgraded assets, having regard to rates affordability, the affordability of the stream of future liabilities created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.
6. Review its approach to addressing financial sustainability risks, in consultation with its community, with a view to limiting future increases in rates and improving affordability for ratepayers.

Key Observations Noted

- The completion of the Wulanda Recreation and Convention Centre, a significant infrastructure project.
- Sustainability relies on community support for planned average rate increases 4.8% (excl growth) per property over 10 years – well above average CPI 2.6% per annum. Also considerations for lower socio-economic conditions, however, lower average residential rates.
- Some risks to ratepayer affordability if operating costs not constrained through a strategic approach to efficiency and savings initiatives.
- Asset sustainability risks may emerge if past asset management planning practices of under-funding asset renewal and replacement continue. These will be compounded by investment in new and upgraded assets increasing future renewal and replacement costs.
- Reservations about the speed of repayment of borrowings accrued in the development of the Wulanda Recreation and Convention Centre placing unnecessary burden for current ratepayers for an intergenerational asset.

Good Practice Observations Noted

- Annual updating and developing Strategic Management Plans in consultation with stakeholders and community.
- Developing separate Asset Management Plans for each asset group and coordinating the data with the Long Term Financial Plan and budget.
- Holding community consultations and conducting surveys to identify priorities and desired service levels as part of its Strategic Management Plans.

- Stated assumptions for indexation in the LTFP are appropriate.
- LTFP Forecasting to align its asset renewal and replacement spending to its asset management plans.

COUNCIL ADMINISTRATION CONSIDERATIONS/BACKGROUND RELATING TO THE ESCOSA RECOMMENDATIONS

1. Disclose material changes to its capital expenditure forecasts as part of its annual review and update to its Long-Term Financial Plans.

As the Audit and Risk Committee is aware, Council has been making significant improvements in asset management, including valuation updates and condition audits. While this is a work in progress, expenditure forecasts have been based on this improved information and have flowed through in most asset classes into Asset Management Plans and the Long Term Financial Plan. Changes to capital expenditure forecasts will be updated and disclosed as part of the review of Council's suite of strategic management plans including Annual Business Plan, Long Term Financial Plan and Asset Management Plans. These plans are forecast to be presented to Audit and Risk Committee at the May 2025 special meeting.

Administration Comment:

Added transparency to material changes and assumptions to Asset Management Plans and Long Term Financial Plan can be included as part of their annual review and public consultation.

2. Develop a plan to achieve cost saving measures and targets and report annually in the budget and the Long-Term Financial Plans as appropriate, to provide evidence of controlling the growth in costs and achieving efficiencies across its operations and service delivery.

A number of projects are already underway to control and reduce growth in costs. These include:

Budgets – strict budget guidelines have been implemented for the FY2025/2026 baseline budget preparation. Risks and opportunities have been identified with initial inclusion pending strategic plan prioritisation and executive foresight prior to Elected Member review.

Strategic Projects – Unlocking projects

- The Business Systems Review is currently underway with a purpose to create processing and administration efficiencies across council. Council are currently in year one of this three year project and have been negotiating contract and service delivery changes with external contractors. Whilst this is still a work in progress, initial review has targeted areas for reduced costs over the long term financial plan.
- The Workforce Planning project is underway with a purpose to unlock efficiencies which may lead to service delivery improvements and savings. As part of this project, service reviews will be conducted that look at the financial implications of the service and the assumptions behind how the service is funded. Work has already started on the financial side with a high level review of fees and charges for FY25/26 with a purpose of taking the first incremental steps forward in ensuring that where a service is deemed a user pays service, the relevant fees and charges associated with the provision of that service cover at minimum the cost of providing the service.

Electricity – Various councils across South Australia have made significant progress on changing the way council's procure electricity, incorporating renewable energy and community energy schemes. Council recently decided not to join the Local Government Australia Procurement supply of electricity for large sites offer and has instead partnered with Whyalla City Council to engage specialist consultants to review, model and forecast current and future usage and spend. Whilst this is still underway, initial presentations from the specialist consultants are positive with the potential for longer term savings over the life of the long term financial plan.

Other Savings –

- **Bank Fees** – Council has recently renegotiated its BPAY fees with its current banking services provider. BPAY fees are a major contributor to council bank fees and charges as the primary method used by ratepayers to pay their rates.
- **Archiving Fees (rates notices)** – Council are currently exploring options to reduce archiving fees on historical rates notices and the raising of rates notices. This review is dependent on a number of factors and whilst in its infancy could result in sustained reduction of costs longer term.
- **Australia Post Expenses (rates notices)** – The ever increasing costs of posting rates notices has been flagged as an area for review. Two main areas have been identified within this:
 - Strategic and targeted ratepayer communication and education
 - Ensuring secure, reliable platforms available to ratepayers that offer an alternate solution to a posted rates notice

Administration Comment:

The long term financial plan when updated will model in reasonable assumptions for stepped cost constraints that are currently in progress as listed above with a view to reduce the impact on rate increases over the life of the long term financial plan.

3. Review its planned pace of repayment of debt, balancing rate increases, financial costs, and intergenerational equity.

As the Audit and Risk Committee is aware, Council has a number of covenants on borrowings from the Local Government Financing Authority (LGFA) relating to the achievement of key financial indicators around operating position, net financial liabilities and asset renewal ratio, by 2027. These covenants drive the current loan servicing in the LTFP. Council's borrowings are also in line with Council's Treasury Management Policy, with a diversification of loan types and loan durations to both mitigate risk and provide a combination of certainty and flexibility to minimise interest amounts.

Communication has commenced with LGFA regarding high-level considerations and options available for the structuring of Council's debt including weighing up the amount and terms of debt already fixed and associated fees that may be imposed on restructuring fixed debt.

Administration Comment:

Continue discussions with LGFA with a report to be brought back to Audit and Risk Committee outlining potential changes, implications and benefits of potential changes.

4. Review its depreciation assumptions and the underlying valuations and useful life data to ensure that depreciation accurately reflects the rate of asset consumption and ensure that asset renewal and replacement is fully funded.

In light of the recent revaluation activity undertaken, significant discussion was held with valuers regarding useful lives and depreciation, in particular in relation to heritage building assets.

Council has developed a scope for a contractor to assist with operationally critical buildings as follows:

- Identify and catalogue components (noting this is at an increased level of detail to the components as per the revaluation)
- assess current condition of components identified
- formulate a five year maintenance and renewal program
- Generate a twenty-year renewal demand forecast to help inform the LTFP
- Establish a planned/cyclic maintenance schedule of critical buildings.

Council is intending to develop a heritage building conservation maintenance plan in order to further extend useful lives of significant heritage assets.

Council currently has an Asset Management unlocking project in progress. This project is currently in year one of a three year period . As the project progresses the intention is to consult with the Community for their service level expectations for major asset classes including infrastructure and building assets. Based on the consultation it will assist in reviewing the actual level of consumption and renewal requirements.

Administration Comment:

Continue a detailed review of depreciation assumptions and underlying asset valuations to ensure asset renewal and replacement are fully funded. Further, we intend to explore the development of a Heritage Building Conservation Maintenance Plan to extend the useful life of significant heritage assets.

5. Review its pace of development of new and upgraded assets, having regard to rates affordability, the affordability of the stream of future liabilities created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.

A significant influence included in Council's current Long Term Financial Plan is an allocation of three projects to support the implementation of the Sport, Recreation and Open Space Strategy (SROSS) made up of \$5m new capital expenditure with an assumption that 50% of this spend would be funded by grants. Prior to the current version of the LTFP, only an annual allocation of \$50k per annum was forecast for the purpose of various precinct master planning, which left a gap in funds available to implement any outcomes from these plans. The three projects were scheduled as follows, noting these projects have not yet been determined:

\$'000	2027/ 2028	2028/ 2029	2029/ 2030	2030/ 2031	2031/ 2032	2032/ 2033	2033/ 2034
Design (capital)	500		500		500		500
Construction (capital)		4,500		4,500		4,500	
Grant Funding		(2,500)		(2,500)		(2,500)	
Net Impact	500	2,000	500	2,000	500	2,000	500

Council has a number of masterplans currently underway and planned. A conversation has commenced with Council about the interconnected timing and implementation of these various planning processes. Consideration might also be given to new/upgrade versus renewal of existing assets.

There are a number of options for consideration:

1. Reprioritise master planning to 3 key areas over the life of the LTFP in consultation with the public. Current areas in progress or planned for master planning include:
 - Central Business District – work has already started in this space with investment in Placescore
 - Waste and Resource Recovery – work has already started in this space with the engagement of technical experts to facilitate sustainable leachate management practices and provide the optimum size for future cell design
 - Umpherston/Balumbul – tender under review
 - Vansittart Park – not yet started
 - Olympic Park – not yet started
 - Hastings Cunningham – not yet started
 - Other areas for consideration include: Railway Lands (designs recently completed, grant funding unsuccessful), Lady Nelson (expression of interest), Visitor Information Services Hub and Spoke model, Crater Lakes
2. Reduce the number of new projects over the life of the Long Term Financial Plan.

The Caroline Landfill has a significant impact on new capital expenditure. All works undertaken in relation to waste cell construction and capping are considered new not renewal. Last financial year, financial modelling was undertaken to ensure that the Landfill gate fee (now and projected) was sufficient to cover current and forecast capital and operating expenditure. In the Long Term Financial Plan, Caroline Landfill contributes to c\$3.3m of new capital expenditure in 2030/2031 and c\$3m in 2033/2034. This only references the forecast expenditure for new cell construction and does not take into consideration the provision to cap the cell once it has been filled with waste.

To implement aspects of the Waste and Resource Recovery Master Plan that could have a high impact on capital outlay over the life of the asset management plan and long-term financial plan, need to ensure adequate budget is available for implementation. Areas identified that could offer higher returns on investment include the capping cell profile (height) and whole of site design, with a view to maximise airspace available without increasing risk beyond Council's level of comfort.

Administration Comment:

Continue to model the financial implications of new and upgraded asset development to assist Council in assessing project prioritisation to align with long-term financial sustainability, rate affordability, and future maintenance obligations.

6. Review its approach to addressing financial sustainability risks, in consultation with its community, with a view to limiting future increases in rates and improving affordability for ratepayers.

A Rating review is currently in progress.

Administration Comment:

Council will continue to update outcomes against it's strategic plan annually and consult with the public on Annual Business Plan and Budget, Long Term Financial

Plans and Asset Management Plans on an annual basis. This will include a review of financial sustainability ratios.

DETAILED IMPLICATIONS

Legal	<ul style="list-style-type: none"> • Compliance with the Local Government Act 1999 amendments, requiring transparency in rate-setting and financial sustainability. • Obligations to publish ESCOSA's advice and any council response in the Annual Business Plan.
Financial and Budget	<ul style="list-style-type: none"> • Cost-saving initiatives (e.g., business systems review, workforce planning, energy procurement changes) to manage operational expenses. • Debt repayment strategy requiring balance between financial burden on current ratepayers and intergenerational equity. • Depreciation and asset renewal funding adjustments to ensure sustainable asset management. • Financial modelling required for prioritisation of master plans and capital projects.
Community Consultation and Engagement	<ul style="list-style-type: none"> • Annual consultation on the Annual Business Plan, Long-Term Financial Plan, and Asset Management Plans to ensure ratepayer engagement.
Other Resources	<ul style="list-style-type: none"> • Ongoing resource allocation to improve financial forecasting, cost control, and strategic planning. • Staff capacity needed for service reviews and efficiency projects. • Contracting external expertise for asset condition assessments and depreciation analysis.

RISK ANALYSIS

The risk identification and categorisation relies on the City of Mount Gambier [Risk Management Policy](#).

Risk	Consequence Rating	Risk Likelihood Rating	Risk Rating	Mitigation
<p>Finance - Rising costs (inflation, wages, utilities) may outpace revenue growth, leading to funding shortfalls.</p> <p>Increased reliance on borrowing could impact long-term financial sustainability.</p> <p>Insufficient funding for asset renewal could result in deteriorating infrastructure and higher future costs.</p>	Major (4)	Possible (3)	High	<p>Implement strict budget guidelines and efficiency projects (e.g., Business Systems Review, Workforce Planning).</p> <p>Continue discussions with LGFA regarding debt structuring to balance intergenerational equity.</p> <p>Regularly update LTFP to incorporate changes in capital</p>

				expenditure and asset renewal needs.
<p>Reputation - Rate increases or service reductions may result in public dissatisfaction and reputational damage.</p> <p>Non-compliance with ESCOSA's recommendations could lead to negative media attention or intervention.</p> <p>Insufficient communication around financial decisions may create misinformation and opposition.</p>	Moderate (3)	Possible (3)	High	<p>Ensure all financial decisions, rate increases, and major projects are communicated clearly via annual business plans and public consultation.</p> <p>Proactively address ESCOSA's recommendations and publish Council's response to build public trust.</p> <p>Engage with residents to explain financial constraints and sustainability efforts to mitigate concerns over rate increases.</p>
<p>Legal / Regulatory / Policy - Failure to meet expectations could lead to regulatory consequences.</p> <p>Inconsistencies between financial policies, asset management strategies, and service delivery frameworks could create inefficiencies.</p>	Moderate (3)	Possible (3)	Moderate	<p>Ensure all financial and governance decisions align with the Local Government Act 1999 and ESCOSA advisory requirements.</p> <p>Audit and Risk Committee to monitor financial sustainability and ensure compliance with ESCOSA</p> <p>Maintain clear documentation and disclosures in line with legislative requirements, particularly regarding capital</p>

				expenditure and rate adjustments.
<p>Service Delivery - Financial constraints may require cuts to non-essential services, impacting community expectations.</p> <p>Underfunded maintenance could result in asset degradation and disruptions to essential services.</p> <p>Failure to optimise service delivery could lead to unnecessary cost pressures.</p> <p>Increasing community needs (e.g., population growth, aging infrastructure) may outstrip available resources.</p>	Major (4)	Possible (3)	High	<p>Continue reviewing services for cost savings while maintaining service quality (e.g., user-pays models, and operational reviews).</p> <p>Focus on asset renewal to avoid service disruptions due to deteriorating infrastructure.</p> <p>Balance rate affordability with the need to sustain essential services.</p> <p>Implement digital transformation projects to enhance service delivery efficiency and reduce long-term operational costs.</p>
<p>People - Insufficient staffing or expertise may impact financial management and service delivery.</p> <p>Changes to cost structures, workforce efficiencies, or service delivery models may face internal opposition.</p>	Minor (2)	Unlikely (2)	Low	<p>Conduct staff reviews to ensure the right skills and resources are in place to manage financial and infrastructure challenges.</p> <p>Provide financial management and asset planning training to ensure informed decision-making across departments.</p>
<p>Infrastructure - Deferred maintenance may result in higher future renewal costs and unexpected failures.</p>	Major (4)	Possible (3)	Moderate	<p>Align asset renewal with financial constraints to prevent underfunding</p>

<p>Inability to fund necessary infrastructure projects due to financial constraints.</p> <p>Landfill and waste management operations could pose long-term financial and compliance risks.</p> <p>Insufficient funding for heritage conservation may result in asset loss or expensive future restorations.</p> <p>Increased costs associated with climate adaptation for infrastructure projects.</p>				<p>critical infrastructure.</p> <p>Prioritise and integrate master plans to ensure sustainable development of new and upgraded assets.</p> <p>Continue reviewing asset useful lives and depreciation rates to ensure long-term funding sustainability.</p> <p>Develop a structured financial and operational strategy for Caroline Landfill to mitigate long-term environmental and financial risks.</p> <p>Establish a conservation plan to extend the useful life of significant heritage assets and manage renewal costs effectively.</p>
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RELEVANT COUNCIL POLICY

N/A

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Council's response to ESCOSA's Local Government Advice will be tabled in the 2025/2026 Annual Business Plan.


CONCLUSION


The Essential Services Commission of South Australia (ESCOSA) has advised that the City of Mount Gambier is mostly sustainable historically, currently and projected. ESCOSA has made 6 recommendations for consideration which will be workshopped by the Audit and Risk Committee prior to its April 2025 meeting. This report provides background to current work underway that addresses the recommendations and seeks any further input from the Audit and Risk Committee for Council's consideration.

ATTACHMENTS

1. ESCOSA City of Mount Gambier LG Advice 2024-25 [**5.6.1** - 31 pages]

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ESSENTIAL SERVICES COMMISSION
OF SOUTH AUSTRALIA

Advice

Local Government Advice

City of Mount Gambier

February 2025

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Enquiries concerning this advice should be addressed to:

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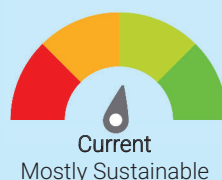
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City of Mount Gambier AT A GLANCE

OVERVIEW

The Essential Services Commission finds the City of Mount Gambier's historical, current and projected financial performance **mostly sustainable**. This takes into account the Council's completion of the Wulanda Recreation and Convention Centre in 2022, a significant infrastructure project for the community, and planned average rate increases of **4.8** percent per property over the next 10 years (well above forecast CPI of 2.6 percent per annum). There are some risks for ratepayer affordability if operating costs are not constrained through a strategic approach to efficiency and savings initiatives. Asset sustainability risks may also emerge if past asset management planning practices of potentially under-funding asset renewal and replacement continue.

FINANCIAL PERFORMANCE



RISKS IMPACTING SUSTAINABILITY

- ⚠ Financial sustainability is dependent upon rates growth well above CPI.
- ⚠ Constraint in the level of operating expenses is needed to ensure affordability risks are minimised.
- ⚠ Proposed further investment in new and upgraded assets will create a stream of future renewal requirements (including repairs and maintenance) that will increase ongoing costs.
- ⚠ Not prioritising the renewal of its assets, which may increase asset sustainability risks or result in lower service levels to its community.

KEY FACTS

- ▶ Population in 2023 was **27,846 residents** ⁽¹⁾
- ▶ Council covers **33.9 square kilometres** ⁽¹⁾
- ▶ **14,534** rateable properties in 2022-23 ⁽²⁾
- ▶ **\$24.9 million** of rates income in 2022-23 ⁽²⁾
- ▶ Value of assets held in 2022-23 equals **\$399.8 million** ⁽²⁾

Source: (1) Australian Bureau of Statistics, *Data by region*, available at <https://dbr.abs.gov.au/> (2) The Council's Financial Reporting Template provided to the Commission.

The Essential Services Commission is an independent statutory authority with functions in a range of essential services including water, sewerage, electricity, gas, rail and maritime services, and also has a general advisory function on economic matters. For more information, please visit www.escosa.sa.gov.au

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1 Executive summary

1.1 Summary of observations

The Essential Services Commission of South Australia finds the City of Mount Gambier projected financial performance and position to be **mostly sustainable**, but notes the Council's sustainability relies on community support for average rate increases well above forecast Consumer Price Index (CPI) inflation. The Council is forecasting an operating surplus by 2026-27, despite a much higher operating cost base that relates to the recently constructed Wulanda Recreation and Convention Centre.

The City of Mount Gambier had relatively low operating surplus ratios from 2013-14 to 2022-23, which were at times negative, but averaging 0.7 percent per annum over that period. While operating surpluses appear on average modest but positive, the Commission notes that historical asset renewal and replacement requirements, set out in Infrastructure and Asset Management Plans, were not fully funded. The Council's investment in new and upgraded assets has resulted in depreciation increasing, indicating that future renewal and replacement costs will be higher in real terms over the long run, commensurate with the larger asset base. The Council has forecast an average operating surplus ratio of 2.5 percent over the period from 2024-25 to 2032-33, supported by average annual rate increases of 4.8 percent per property.

The Commission recommends that the Council develop a plan detailing cost savings measures and targets to ensure financial sustainability is maintained and to reduce the reliance on ratepayers. There is some concern for future ratepayer affordability, given the relatively lower socio-economic conditions, however, historically there have been relatively lower average residential rates in the Mount Gambier region compared to similar councils.

The Commission also observes the pace at which the City of Mount Gambier proposes to repay borrowings accrued in the development of the Wulanda Recreation and Convention Centre might represent an unnecessary burden for current ratepayers. It might be prudent for the City of Mount Gambier to consider a longer repayment period, noting the intergenerational nature of the asset.

The Commission commends the City of Mount Gambier for its well-developed strategic planning processes and commitment to community consultation.

1.2 Summary of Recommendations

The Commission acknowledges the City of Mount Gambier's good planning and asset management practices, in particular:

- ▶ annually updating and developing its Strategic Management Plans, in consultation with stakeholders and the community
- ▶ developing separate Asset Management Plans for each asset group and coordinating the data in the Asset Management Plans with the Infrastructure and Asset Management Plan, budget, and Long-Term Financial Plan, and
- ▶ holding community consultations and conducting surveys to identify community priorities and desired service levels as part of the planning process for its strategic management plans.

The Commission recommends that the City of Mount Gambier:

1. **Disclose** material changes to its capital expenditure forecasts as part of its annual review and update to its Long-Term Financial Plans.
2. **Develop** a plan to achieve cost saving measures and targets and report annually in the budget and the Long-Term Financial Plans as appropriate, to provide evidence of controlling the growth in costs and achieving efficiencies across its operations and service delivery.

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3. **Review** its planned pace of repayment of debt, balancing rate increases, financial costs, and intergenerational equity.
4. **Review** its depreciation assumptions and the underlying valuations and useful life data to ensure that depreciation accurately reflects the rate of asset consumption and ensure that asset renewal and replacement is fully funded.
5. **Review** its pace of development of new and upgraded assets, having regard to rates affordability, the affordability of the stream of future liabilities created by new and upgraded assets, and the need to prioritise and fully fund asset renewal and replacement.
6. **Review** its approach to addressing financial sustainability risks, in consultation with its community, with a view to limiting future increases in rates and improving affordability for ratepayers.

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2 About the advice

2.1 Background

State Parliament has tasked the Essential Services Commission (**Commission**), South Australia's independent economic regulator and advisory body, to provide advice on material changes proposed by local councils in relation to elements of their strategic management plans (**SMP**), and on the proposed revenue sources, including rates, which underpin those plans.¹

A primary purpose of the Local Government Advice Scheme (**Advice** or **the Scheme**) is to support councils to make financially sustainable strategic decisions in their annual business plans (**ABP**) and budgets, in the context of their long-term financial plans (**LTFP**) and infrastructure and asset management plans (**IAMP**).² The LTFP and the IAMP are both required as part of a council's SMP.³ Financial sustainability encompasses intergenerational equity,⁴ program (service level) and rates stability in this context.⁵ The other main purpose is for the Commission to consider ratepayer contributions in the context of all revenue sources, as outlined in the LTFP.⁶ In addition, the Commission has discretion to provide advice on any other aspect of a council's LTFP or IAMP it considers appropriate, having regard to the circumstances of that council.⁷

The first cycle of the scheme extends over four years from 2022-23 to 2025-26, and the Commission has selected 17 councils for advice in the third year (2024-25) of the Scheme, including the City of Mount Gambier (**Council**).

This report provides the Local Government Advice for the Council in 2024-25.

The Council is obliged under the *Local Government Act 1999* (**LG Act**) to publish this advice and its response, if applicable, in its 2025-26 Annual Business Plan (including any draft ABP) and in subsequent plans until the next cycle of the Scheme.⁸ The Council is not compelled under the **LG Act** to follow the advice.

The Commission thanks the Council for meeting with Commission staff and for providing information to assist the Commission in preparing this advice.

2.2 The Commission's approach

In providing the Advice for the Council, the Commission has followed the approach it previously explained in the Framework and Approach – Final Report (**F&A**).⁹

The Commission has considered the Council's SMP documents (set out in the box below), with a particular focus on its performance and outlook against three financial indicators: the Operating Surplus Ratio (**OSR**), the Net Financial Liabilities Ratio (**NFLR**) and the Asset Renewal Funding Ratio (**ARFR**).¹⁰

¹ Amendments to the LG Act (s122(1c) to (1k) and (9)) specify the responsibilities for the Commission and local councils for the Local Government Scheme Advice. The Commission must provide advice to each council in accordance with the matters outlined in s122(1e), (1f) and (1g).

² Commonly referred to as asset management plans.

³ The objectives of the advice with reference to a council's LTFP and IAMP are presented under LG Act, s122(1g). LG Act s122(1) specifies the requirements of a council's SMP, including the LTFP and IAMP.

⁴ 'Intergenerational equity' relates to fairly sharing services and the revenue generated to fund the services between current and future ratepayers.

⁵ Commission, *Framework and Approach – Final Report*, August 2022, pp. 2-3, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

⁶ LG Act s122(1f)(a) and (1g)(a)(ii).

⁷ LG Act s122(1f)(b) and (1g)(b).

⁸ LG Act s122(1h).

⁹ Commission, *Framework and Approach – Final Report*, August 2022, available at www.escosa.sa.gov.au/advice/advice-to-local-government.

¹⁰ The indicators are specified in the Local Government (Financial Management) Regulations 2011. Since 2011, each council has been required to refer to these three indicators in its plans, annual budget, mid-year budget review and annual financial statements. The councils can adopt their own target range for each ratio, but the

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Analysis of these three indicators captures financial and service sustainability, in addition to cost control and affordability risk.¹¹

The City of Mount Gambier – Strategic Management Plan Documents

- ▶ Annual Business Plan and Budget 2024/2025 (June 2024)
- ▶ Annual Business Plan and Budget Summary 2024/2025 (June 2024)
- ▶ Long-Term Financial Plan 2025 – 2034 (June 2024)
- ▶ Asset Management Summary 2025 – 2034 (June 2024)
- ▶ Building and Structures Asset Management Plan 2025 – 2034 (June 2024)
- ▶ Infrastructure Asset Management Plan 2025-2034 (June 2024)
- ▶ Plant and Equipment Asset Management Plan 2025 – 2034 (June 2024)
- ▶ Long-Term Financial Plan 2024 – 2033 (June 2023)

The Commission notes that most of the Council's asset base is covered by its existing asset management plans (**AMP**), and asset valuations for those assets have been conducted within the last four years.

Given that the Commission must, in providing advice, have regard to the objective of councils maintaining and implementing their **IAMP** (usually termed AMP) and **LTFP**,¹² it has also considered the Council's performance in that context. Findings regarding the content of the Council's AMP, and the alignment between its LTFP and AMP,¹³ are discussed in section 5.

The Commission has also reviewed the Council's template data which contains its 2023-24 LTFP forecasts for 2023-24 to 2032-33, as well as its 2022-23 LTFP forecasts, historical financial data, the number of rateable properties and Council staff (Full Time Equivalent or **FTE**) numbers from 2012-13 onwards.^{14 15} The charts and tables in the Advice are primarily sourced from these datasets. In addition, the Commission has reviewed the Council's audit committee reports, and other public information, as appropriate.

The Commission has reported estimates in nominal terms, for consistency with the Council's plans and actual rate levels, but it has compared estimated inflation impacts to these trends as a guide to identify 'real' rather than 'inflationary' effects. In the charts, the Consumer Price Index (**CPI**) line shows the cumulative growth in the CPI (Adelaide) series from 2012-13, and then projections of this series from 2023-24 based on the Reserve Bank of Australia (**RBA**) (Australia-wide) inflation forecasts (to the December quarter 2026), and the midpoint of the RBA target range (2.5 percent) thereafter.

Finally, in formulating this Advice, the Commission has had regard to all discussions and engagement with the Council, including the face-to-face onsite meeting at the Council offices and the individual circumstances of the Council, consisting of:

- ▶ its location as an urban regional council

Commission has adopted the previously suggested Local Government Association (**LGA**) target ranges as a basis for its analysis, which were established and agreed during the development of the LGA Financial Sustainability Papers (2006-2011).

¹¹ The F&A listed 29 analytical questions that the Commission has answered in assessing the Council's performance against these indicators to determine affordability, cost control and other sustainability risks.

¹² **LG Act** s122(1g)(a)(i).

¹³ As required under s122(1b) of the **LG Act**.

¹⁴ Sourced from the Local Government Grants Commission (including data reported by the Office of the Valuer-General) and the Council's data.

¹⁵ The Council's estimates for the 2023-24 financial year, relied on at the time of preparing this advice, were unaudited.

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- ▶ its income level (\$42.1 million in 2022-23), and
- ▶ the size of its rates base (14,534 rateable properties as at 2022-23¹⁶).

Throughout this paper the Commission has identified several key points and assigned the following risk category to those points:

Legend:  Low-risk  Moderate-risk  High-risk

¹⁶ Based on the estimated number of property assessments in 2022-23.

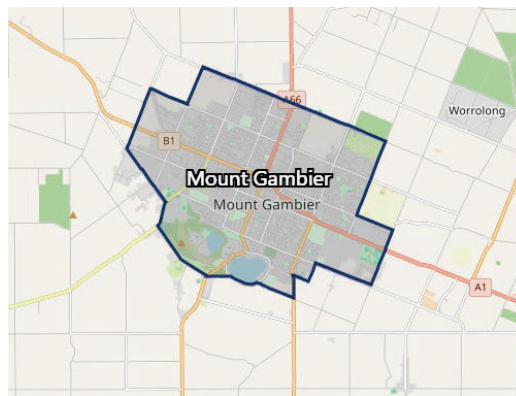
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3 Council profile

The City of Mount Gambier is classified by the Commission as an 'Urban Regional' council and is one of nine in this category in South Australia.¹⁷ The Council encompasses a total land area of 33.9 square kilometres and is located in the South-East of South Australia, approximately 420 kilometres from Adelaide and approximately 17 kilometres from the Victorian border. It has an estimated resident population of 27,846 (at 30 June 2023),¹⁸ and 14,534 rateable properties (at 30 June 2023).¹⁹

The City of Mount Gambier was established as a council in 1876 and is uniquely encircled by the District Council of Grant.

Figure 1: Council area



The Council region also has the following attributes:

- ▶ stable rateable property growth of approximately 0.8 percent per annum²⁰
- ▶ population density of 822 persons per square kilometre²¹
- ▶ 231.5 kilometres of sealed roads and laneways, and 1.0 kilometres of unsealed roads and laneways²²
- ▶ its largest employment sectors are in health care and social assistance (16.7 percent), retail trade (12.6 percent), manufacturing (9.5 percent), and education and training (8.7 percent),²³ and
- ▶ a median population age of 41.2 years.²⁴

¹⁷ Commission, *Fact Sheet - Local Government Advice Scheme – Schedule of Councils*, May 2023, available at <https://www.escosa.sa.gov.au/ArticleDocuments/21947/20240731-Advice-ScheduleOfCouncils-FactSheet.pdf.aspx?Embed=Y>.

¹⁸ Refer to Australian Bureau of Statistics, Data by region, available at <https://dbr.abs.gov.au/region.html?lqr=lga&rqn=41060>.

¹⁹ Based on the Council's Financial Reporting template provided to the Commission.

²⁰ Based on the compound average annual growth rate formula (which is the adopted approach to calculating average annual growth rates throughout the Commission's advice) for the period from 2013-14 to 2023-24. Based on the Council's Financial Reporting template provided to the Commission.

²¹ Footnote 18 applies.

²² Refer to the Department of Infrastructure and Transport - Local Government Grants Commission, 2022-23 Database Reports, available at: <https://www.dit.sa.gov.au/local-government/grants-commission/publications#database>.

²³ Footnote 18 applies.

²⁴ Footnote 18 applies.

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4 Material plan amendments in 2024-25

Council has made several amendments to its 2024-25 budget and forward projections, partly for inflation and partly for other revenue and spending initiatives. The material amendments to some of its main financial forecasts are listed in the table below (in nominal terms).²⁵ To ensure a comparable analysis of estimates between the 2023-24 and 2024-25 LTFPs, the Commission has reviewed the nine overlapping years' statistics: 2024-25 to 2032-33 and identified material amendments accordingly.

4.1 Key points

- ✓ Good practice of annually updating and developing its strategic management plans in consultation with stakeholders and community.
- ⚠ Increased forecast capital expenditure by 55.4 percent (or \$39.9 million) in its 2024-25 LTFP estimates.

Table 1: Summary of Material Plan Amendments

Selected Financial Item	Sum of 2024-25 to 2032-33 estimates in 2023-24 LTFP (\$ million)	Sum of 2024-25 to 2032-33 estimates in 2024-25 LTFP (\$ million)	Change in 2024-25 estimates (\$ million)	Change in 2024-25 estimates (percent)
Rates	305.7	346.4	+40.8	+13.3
Grants, subsidies and contributions	47.9	52.5	+4.6	+9.6
Total operating income	464.6	524.7	+60.2	+12.9
Employee costs	161.6	179.3	+17.7	+11.0
Materials, contracts and other expenses	174.5	199.5	+25.0	+14.3
Depreciation, amortisation and impairment	104.9	123.1	+18.2	+17.3
Total operating expenses	451.2	513.2	+62.0	+13.7
Capital expenditure on renewal of assets ²⁶	57.7	78.7	+21.0	+36.4
Capital expenditure on new and upgraded assets ²⁷	14.3	33.1	+18.9	+132.3

²⁵ This table shows only selected financial items to demonstrate the material amendments made by the Council in its 2023-24 estimates. It excludes various financial items and individual items do not sum to totals.

²⁶ The capital expenditure estimates are based on the 2023-24 LTFP estimates provided by the Council to the Commission (in an Excel template).

²⁷ Footnote 26 applies.

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4.2 General observations on the LTFP, ABP and IAMP

The Commission has observed that the Council has employed a consultative process when developing its SMP and budgets. Each year the Council undertakes a review and update of its LTFP, which is considered by Council's Audit and Risk Committee, with recommendations further considered by Council.²⁸ The first year of the adopted LTFP provides the high-level framework for the development of the Council's annual budget. The LTFP and ABP (and Budget) are developed within the Council's overall strategic planning framework.

From February to June each year, the Council's AMP are reviewed and updated, having regard to any forecast expenditure changes resulting from changed circumstances. The Council advises that all major AMP have been updated in 2024, in line with legislative requirement to review these within two years of council elections.²⁹ Most infrastructure assets have undergone an asset revaluation within the last three years.

The Commission noted that the Council's IAMP does not include all assets, and that there are separate AMP for buildings and structures, and plant and equipment (among others), and these are summarised together in the Council's Asset Management Summary document.

The Commission commends the Council's approach to updating and developing its SMP, ABP and budgets.

4.3 Changes to operating performance

The Council has projected in its 2024-25 LTFP an increase in total operating income of \$60.2 million (or 12.9 percent) across the nine-year comparative period to 2032-33 compared to the 2023-24 LTFP (as shown in the table above). This reflects a range of changes to its income forecasts, notably:³⁰

- ▶ an increase in rates income by 13.3 percent (compared to the previous LTFP projections), which are driven by the Council's need to recover rising costs, including higher capital expenditure estimates following an update to its AMP, and
- ▶ an increase in 'grants, subsidies and contributions' by 9.6 percent, reflecting federal grants in 2024-25 and 2025-26 for the design and implementation of the Sport, Recreation and Open Space Strategy.

The Council projects a total increase in operating expenses of \$62.0 million (or 13.7 percent) across the nine-year comparative period to 2032-33. The Council has provided some explanations to the Commission, summarised below:

- ▶ Employee costs reflect the insourcing of cleaning services previously undertaken by external contractors. In 2024-25 an additional 1.5 FTE were added as ongoing positions to meet strategic requirements for volunteer management and parks/gardens. Overall, an additional two FTE per annum are being forecast by the Council to meet increased services due to population growth and to implement future strategic initiatives. This proposed cumulative increase in staffing seems high and could be an area in which savings could be identified over the forecast period.
- ▶ 'Materials, contracts and other' expenses, increase (of 14.3 percent) reflects a review of running costs of Wulanda Recreation and Convention Centre, which has been in operation for more than 12 months (the increase in reimbursement income offset some of this). There has also been an increase in costs across purchases for infrastructure items, plant and equipment and contracting services.

²⁸ Under s.122(4)(a)(i) of the LG Act the Council must undertake a review of its long-term financial plan on an annual basis.

²⁹ LG Act s122(4)(a) and (b). General elections were last held for SA councils on 11 November 2022.

³⁰ Based on the Council's Financial Reporting template (including its reasons for material amendments) provided to the Commission.

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- ▶ Depreciation expenses reflect updates following asset condition audits and valuations undertaken in 2023 for infrastructure and buildings, which were not incorporated into the previous (2023-24) LTFP.

4.4 Observations on Indexation

The Council applies CPI-based inflation adjustments to its cost and revenue estimates. It assumes CPI increases of 2.9 percent in 2024-25, 2.6 percent in 2025-26, and then reverts to approximately the mid-point of the RBA target range of 2.5 percent over the remaining planning period.³¹ These CPI projections are generally consistent with the Council's previous (2023-24) LTFP, and do not appear to account for the material changes in Council's financial forecasts.³² The Council's inflation forecasts are also generally consistent with current RBA forecasts averaging 2.6 per annum between 2023-24 and 2033-34.³³

The Council's stated assumptions for indexation in its 2024-25 LTFP are transparent and based on its annual review of estimates. Overall, the Commission considers the documentation of these assumptions are appropriate, and the Council should continue to review inflation forecasts in its budget and forward projections. This will assist interested parties in identifying 'real' rather than inflationary effects in material plan amendments.

4.5 Increase to capital expenditure estimates

The Council's 2024-25 LTFP projections indicate a material increase in capital expenditure for asset renewals (by \$21.0 million or 36.4 percent) and for new and upgraded assets (by \$18.9 million or 132.3 percent), compared to the previous years' LTFP projections (for the period from 2024-25 to 2032-33). This gives rise to a total capital expenditure increase of \$39.9 million or 55.4 percent.

The Council advises that the proposed higher spend arises from:

- ▶ recent updates to AMPs for asset renewals, including reflecting higher asset values for buildings, stormwater and retaining walls, and
- ▶ higher investment in new and upgraded assets in 2027-28 for the design and implementation of the Sport, Recreation and Open Space Strategy.

The Commission's review of the Council's LTFP indicates that further transparency around the key reasons for its capital expenditure estimates (between annual updates) may be of benefit to stakeholders and allow for future assessments of financial sustainability. These material changes should be clearly documented as part of its annual LTFP reviews, and accordingly, the Commission recommends that Council:

1. **Disclose** material changes to its capital expenditure forecasts as part of its annual review and update to its Long-Term Financial Plans.

³¹ City of Mount Gambier, *Long-Term Financial Plan 2025-2034*, June 2024, p. 29.

³² City of Mount Gambier, *2024 – 2033 Long-Term Financial Plan*, June 2023, p. 23.

³³ The forecast average annual growth in the CPI from 2024-25 to 2033-34 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 2026 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2025-26.

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5 Financial sustainability

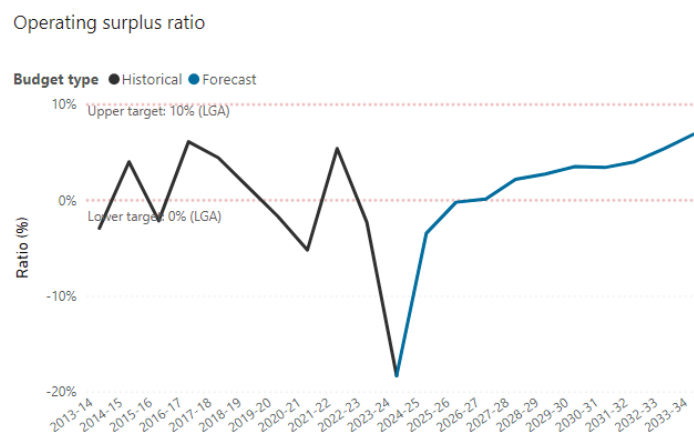
5.1 Operating performance

5.1.1 Key points

- ▲ Operating surpluses were reported in five of the last 10 years (between 2013-14 and 2022-23), resulting in an average OSR of 0.7 percent.
- ▲ The projected turnaround in forecast operating performance is driven by sharp increases in rates income in 2024-25 and 2025-26, and ongoing annual increases by 5.3 percent per annum (including growth in rateable properties of 0.5 percent per annum).
- ▲ From 2013-14 to 2022-23, total operating expenses increased at an average annual rate of 7.0 percent (in part due to the commencement of operation of the Wulanda Recreation and Convention Centre) and are forecast to increase by 3.0 percent per annum on average over the next 10 years. There are risks to the Council's operating performance if expenses are not constrained.

5.1.2 Operating Surplus Ratio

Figure 2: Operating surplus ratio – historical and forecast



The Council's OSR³⁴ has fluctuated over the historical period. It has been negative at times, and below the target range suggested by the Local Government Association (LGA). It has averaged 0.7 percent over the period from 2013-14 to 2022-23. This indicates the Council has marginally operated sustainably, that is, its accumulated operating income has marginally exceeded its accumulated operating expenses (see Figure 3).

The key reason for past operating deficits, particularly in 2020-21 (at the start of the pandemic) is due to the Council keeping the increase in rates below the rate of inflation.³⁵ At the same time, the Council

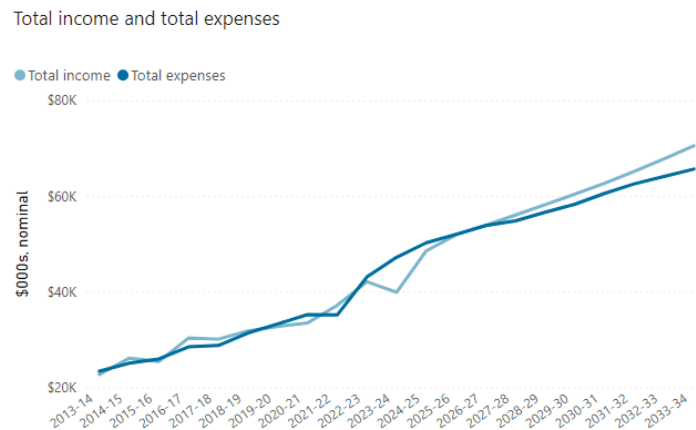
³⁴ The operating surplus ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income. The general target is to achieve, on average over time, an operating surplus ratio of between zero and 10 percent (Local Government Association of South Australia, *Financial Sustainability Information Paper 9 - Financial Indicators Revised*, May 2019 (LGA SA Financial Indicators Paper), p. 6).

³⁵ City of Mount Gambier, *2020/21 Annual Business Plan and Budget*, June 2020, p. 10, available at: <https://cdn.mountgambier.sa.gov.au/docs/2020-2021-Annual-Business-Plan-Budget.pdf>.

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increased capital expenditure on new and upgraded assets, such as for the Wulanda Recreation and Convention Centre.

Figure 3: Total income and expenses – historical and forecast



The Council's unaudited financial information for 2023-24 shows an operating deficit of \$7.3 million (or OSR of negative 18.4 percent). Over half of this deficit is attributed to the timing and recognition of the 2023-24 Financial Assistance Grants of \$4.4 million, which was paid to the Council in advance in 2022-23.³⁶ Thereafter, the Council is forecasting a return to an operating surplus in 2026-27, and this progressively increases resulting in an OSR of 6.9 percent in 2033-34. This relies on annual increases in rates income materially above forecast inflation. It will be important for Council to consider how to increase income from non-rate sources and / or seek to reduce operating expenditure, to reduce the reliance on ratepayers.

5.1.3 Operating Income

The Council's primary source of income over the period from 2013-14 to 2022-23 was from rates, which on average, accounted for 66.7 percent of total operating income. Rate income increased on average by 4.4 percent per annum from 2013-14 to 2022-23 (when growth in the number of rateable properties averaged 0.8 percent and CPI growth averaged 2.6 percent). Over the same period, user charges (accounting for 15.3 percent of total operating income) increased by an average of 7.8 percent per annum, in part, driven by income from Wulanda Recreation and Convention Centre. 'Grants, subsidies and contributions' (accounting for 13.8 percent of total operating income historically) can be 'lumpy' from year to year³⁷ and the three-year average of \$173 per rateable property in 2015-16 is compared with the three-year average of \$430 per rateable property in 2022-23, reflecting an increase in value in real terms (or 13.9 percent increase per annum in nominal terms).

Over the forecast period from 2024-25 to 2033-34, total income is increasing at an annual average of 4.2 percent, incorporating income from rates increasing by an average of 5.3 percent per annum, which includes growth in the number of rateable properties of 0.5 percent per annum. This means that the average rates revenue per property is forecast to increase by 4.8 percent per annum, almost double the RBA's average forecast inflation of 2.6 percent per annum over the same period.

The Council's forecasts indicate higher average increases in rates income relative to other income sources, and it is not clear whether conservative estimates are being made by the Council in its LTFP for

³⁶ The Local Government Grants Commission sets out the quarterly payment schedule for Financial Assistance Grants (among other grants), available at <https://www.dit.sa.gov.au/local-government/grants-commission/grant-payments>.

³⁷ Due to the timing of different grants and sometimes advance grant payments (as for the 2023-24 Financial Assistance grant allocation, which was received and accounted for in 2022-23).

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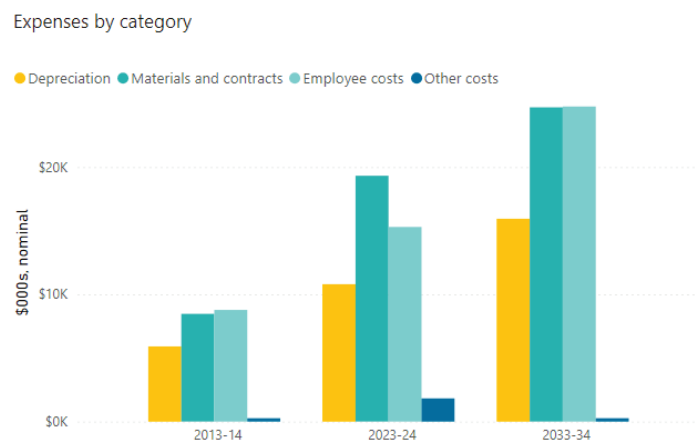
non-rate income sources, such as for grants or statutory charges. There may be an opportunity for Council to review and optimise user charges to ensure cost recovery, however overall, the Commission recognises there may be limitations in achieving higher income from non-rate sources, given the generally lower socioeconomic environment of the region.

5.1.4 Expenditure

Total operating expenses increased at an average annual rate of 7.0 percent over the historical period (over two and half times the rate of historical inflation), and, in part, is driven by the operating costs associated with the Wulanda Recreation and Convention Centre. Over the forecast period, total operating expenses are forecast to increase at an average annual rate of 3.0 percent. This is due, in part, to forecast increases in employee costs at an annual average rate of 4.7 percent; increases in 'materials, contracts and other' expenses at an average annual rate of 2.3 percent; and increases in depreciation expenses at an average annual rate of 3.3 percent.

Council notes that employment costs are increasing, in part due to cleaning services being insourced, which derives a corresponding saving, as well as allowing for an additional 1.5 FTE for ongoing positions to meet strategic requirements for volunteer management and parks/gardens in 2024-25. Overall, the Council assumes it will increase staff by two FTE per annum over the period to 2033-34 to meet increased services due to population growth and for future strategic initiatives. Figure 4 shows the forecast increase in all expense types.

Figure 4: Expenses by category – historical and forecast



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Figure 5: Expenses by category – proportions

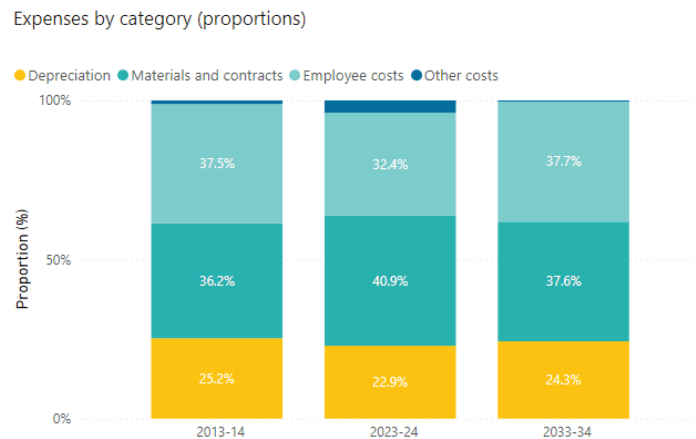


Figure 5 shows the proportional share of expenses by category and indicates that historical shares from 2013-14 are generally consistent with forecast shares in 2033-34.

Figure 6: Expense by rated property - historical and forecast

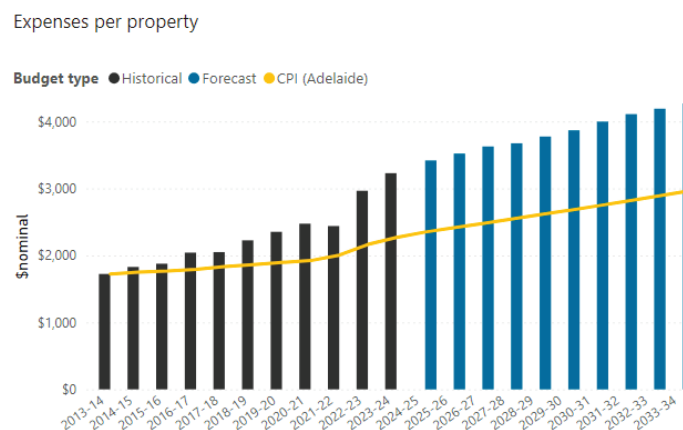


Figure 6 illustrates that expenses per property increased above CPI for the historical period at an average of 6.2 percent per annum; however, is projected to increase by only 2.5 percent per annum, on average, over the period from 2024-25 to 2033-34 (which is broadly consistent with average forecast CPI over this period). While the Council is projecting a smaller rate of growth in operating costs, it is forecasting these on a much larger cost base, in part due to the costs associated with the Wulanda Recreation and Convention Centre.

It is noted that the Council has reported a full years' financial performance for the Wulanda Recreation and Convention Centre, which resulted in a gross operating deficit of \$1.2 million in 2023-24.³⁸ The Council has recognised that while it anticipated an initial operating deficit for the Wulanda Recreation and Convention Centre, it has worked to reduce the Centre's deficit.

³⁸ Available at <https://www.mountgambier.sa.gov.au/news/wulanda-operations-financial-performance-and-costs>.

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5.1.5 Commission's recommendations on operating performance

The Council's forecast operating surpluses relies on growth in rates income as well as lower rate of growth in operating expenses. However, the Commission observes the Council does not provide an explanation for the strategies or initiatives (in its LTFP) to achieve this lower rate of cost growth. In general, it might be beneficial for the Council to develop additional cost reduction plans with annual cost reduction targets, and with achievements reported against budgets, to demonstrate accountability and provide transparency to the ratepayers. If the Council fails to restrain costs, its sustainability will be at risk.

Accordingly, the Commission recommends that the Council:

2. **Develop** a plan to achieve cost savings measures and targets and report annually in the budget and the Long-Term Financial Plan as appropriate, to provide evidence of controlling the growth in costs and achieving efficiencies across its operations and service delivery.

5.2 Net financial liabilities

5.2.1 Key points

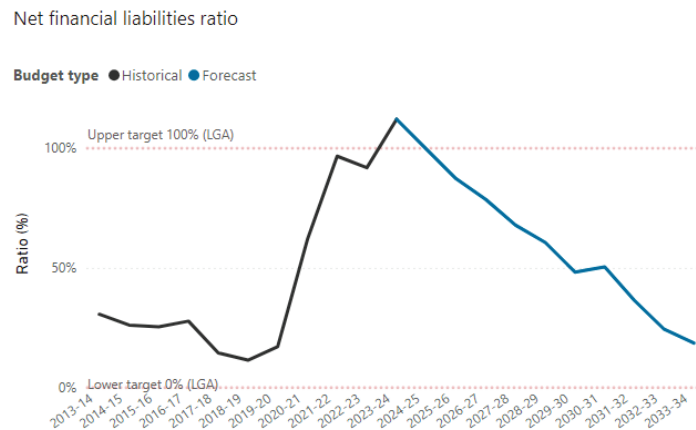
- ✓ Between 2013-14 and 2022-23, the NFLR averaged 40.3 percent.
- ⚠ In 2023-24 the Council's borrowings peak at \$37.1 million and resulting in the NFLR of 112.1 percent.
- ✓ Between 2023-24 and 2032-33, the NFLR is forecast to trend downwards, and to average 57.2 percent.

Over the historical period from 2013-14 to 2022-23, the Council's NFLR³⁹ has remained within the LGA target range of zero to 100.0 percent, with an average ratio of 40.3 percent. After peaking at 112.1 percent in 2023-24 (unaudited), over the forecast period from 2024-25 to 2033-34, the NFLR progressively reduces from 99.7 percent in 2023-24 (unaudited) to 18.6 percent (or averages 57.2 percent). The ratio indicates that the Council is generally able to fund its financial obligations from operating income over the historical period, and will do so over the forecast period (see Figure 7).

³⁹ The net financial liabilities ratio is defined as: Net financial liabilities ÷ Total operating income. This ratio measures the extent to which a council's total operating income covers, or otherwise, its net financial liabilities. The suggested LGA target range is between zero and 100.0 percent of total operating income, but possibly higher in some circumstances (LGA SA Financial Indicators Paper, pp. 7-8).

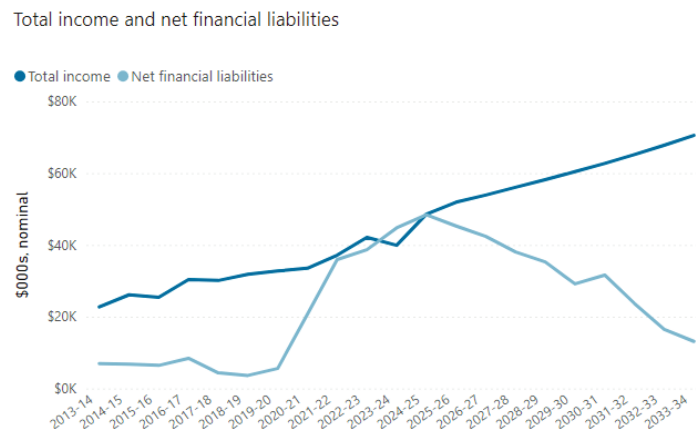
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Figure 7: Net financial liabilities ratio – historical and forecast



The Council has predominantly used borrowings from the Local Government Finance Authority of South Australia (LGFA) for its operating and investment needs. The progressive increase in borrowings from 2020-21 is mainly associated with the construction and operating needs of the Wulanda Recreation and Convention Centre. As a result, the Council has reported borrowings to have peaked in 2023-24 (unaudited) at \$37.1 million (with a NFLR of 112.1 percent), followed by rapid repayment over the forecast period, to a borrowing balance of \$2.8 million in 2033-34.

Figure 8: Total income and net financial liabilities – historical and forecast



Net Financial Liabilities are financial liabilities offset by cash and other financial assets. As seen in Figure 8, after reaching a peak of \$48.4 million in 2024-25, net financial liabilities are forecast to decrease in line with the Council reduction in borrowings.

It appears from the Council's budget and LTFP that it seeks to reduce debt through rate increases (materially above forecast CPI inflation) and through lower rate of growth in operating expenses (although this is on a much larger cost base).

In the Commission's view, the planned rapid pace of repayment of debt might represent an unnecessary burden for ratepayers, evidenced by the planned high annual growth in rates payable, leading to concerns about affordability and intergenerational equity.

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5.2.2 The Commission's recommendations on financial liabilities

The Commission notes that the Wulanda Recreation and Convention Centre is a long-term asset that will benefit current and future generations. Council could consider longer-term debt assumptions to reduce intergenerational equity risk (where current ratepayers pay for assets that will benefit future ratepayers). The Commission recommends that the Council:

3. **Review** its planned pace of repayment of debt, balancing rate increases, financial costs, and intergenerational equity.

5.3 Asset renewals expenditure

5.3.1 Key points

-  Between 2013-14 and 2022-23, the ARFR averaged 73.1 percent.
-  From 2024-25 to 2033-34, the Council is forecasting to align its asset renewal and replacement spending to its asset management plans, averaging \$8.9 million per annum (in nominal terms).
-  An emerging gap exists in renewal expenditure (relative to depreciation) which may indicate issues with asset valuations, assessed remaining useful lives, or proposed capital expenditure.

5.3.2 Council's approach to asset management

The Council advises that as part of its asset revaluations in 2023, it reviewed the useful life of its assets for the purposes of the forward work program and incorporated this asset condition and useful life of assets into the AMP. The Council also stated that it intends to review the useful life of its assets annually, moving forward. The Commission notes and encourages this good practice.

The Council currently has AMP for all major asset classes and has implemented a rolling schedule to update its plans in line with its legislative commitments.⁴⁰ The Council has advised that, following the community consultation phase, most of its AMP were reviewed and updated and were endorsed by its Audit and Risk Committee and the Council during calendar year 2024.⁴¹

The Council has asset class AMP for: infrastructure, buildings and structures, plant and equipment, Caroline landfill, and library information technology and sundry. The AMPs provide a breakdown of the assets within each respective asset class and the proposed capital works and repairs and maintenance expenditure are included into the Council's LTFP.

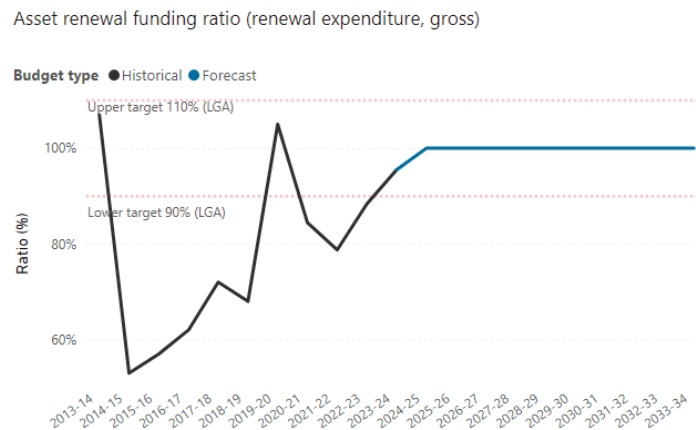
The Council's capital works program includes 10 years of asset renewal projections, in alignment with the Council's LTFP, with the exception of the Caroline Landfill, which had not been updated at the time the Asset Management Summary was prepared. The Council's Strategic Workplan 2024-2027 indicates that significant work will be undertaken on asset management planning and the approach will be reviewed.

⁴⁰ Under s.122(1a)(b) of the LG Act the council must in effect develop and adopt an IAMP, relating to the management and development of infrastructure and other major asset classes by the council for a period of at least 10 years.

⁴¹ These include individual AMPs cover buildings and structures, infrastructure, plant and equipment, Caroline Landfill, and library information technology and sundry.

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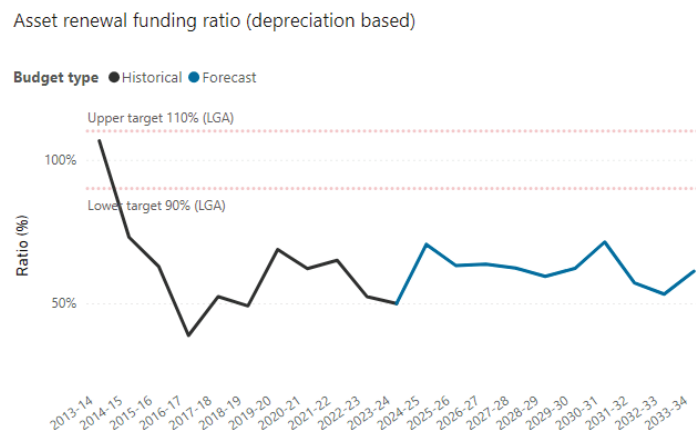
Figure 9: Asset renewal funding ratio (renewal expenditure gross) – historical and projected



An ARFR of 100.0 percent indicates that a council is fully funding the asset renewal and replacement requirements set out in its IAMP. The LGA suggests a range of 90.0 percent to 110.0 percent in any year, noting that the ratio should average out at 100.0 percent over time.

As shown in Figure 9, the ARFR (gross) was volatile over the 10-year historical period and averaged 77.6 percent, indicating that the Council's asset renewal and replacement requirements may not be sufficiently funded (or aligned to its AMP). This creates a risk of deterioration of existing assets, with potential reduction in the level of services and potential additional costs for maintenance.

Figure 10: Asset renewal funding ratio (depreciation based) – historical and forecast



Asset renewals can also be evaluated by the depreciation-based ARFR, which has tracked lower than the recommended minimum level (for the IAMP-based ratio) of 90.0 percent, averaging 63.1 percent in the period to 2023-24, and forecast to average only 62.4 percent per annum to 2033-34.

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Figure 11: Net asset renewal expenditure and depreciation – historical and forecast

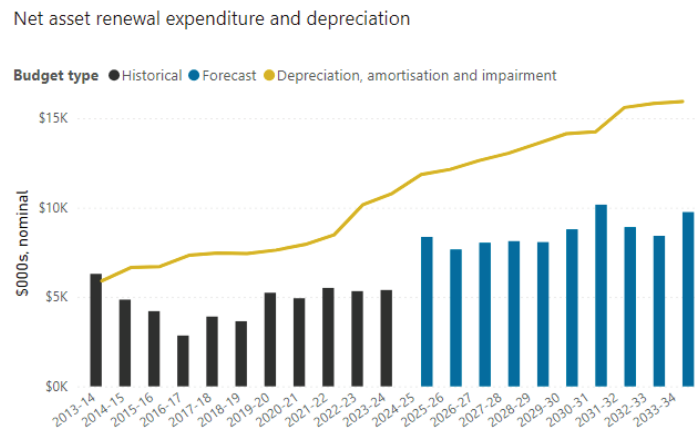


Figure 11 shows that historically (between 2013-14 to 2022-23) depreciation expenses outpaced renewal capital expenditure by \$28.9 million over ten years and the gap is projected to increase over the forecast period by a further \$52.7 million. This may indicate an underspend in asset renewal and replacement expenditure, or a greater focus on expenditure on new or upgraded assets, or recorded asset lives are understated (thereby overstating depreciation), or a combination of these.

Figure 12: Total capital expenditure by category – historical and projected

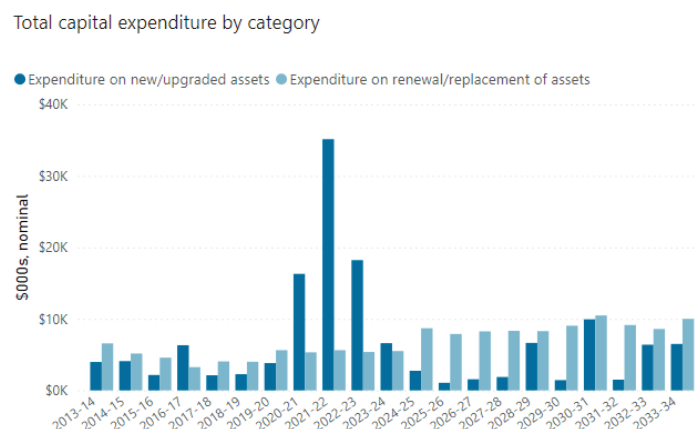


Figure 12 shows the expenditure on new and upgraded assets relative to renewal and replacement of existing assets. Capital expenditure on new or upgraded assets over the historical period (from 2020-21 to 2022-23) totalled \$69.6 million and peaked in 2021-22 with expenditure of \$35.1 million for new and upgraded assets. This related to the Wulanda Recreation and Convention Centre, which opened to the public in December 2022. The construction cost of \$62.5 million was funded by a combination of grants and debt.⁴²

⁴² \$25 million from a combination of Federal and State Government and \$350,000 from the District Council of Grant with the balance funded by Council debt.

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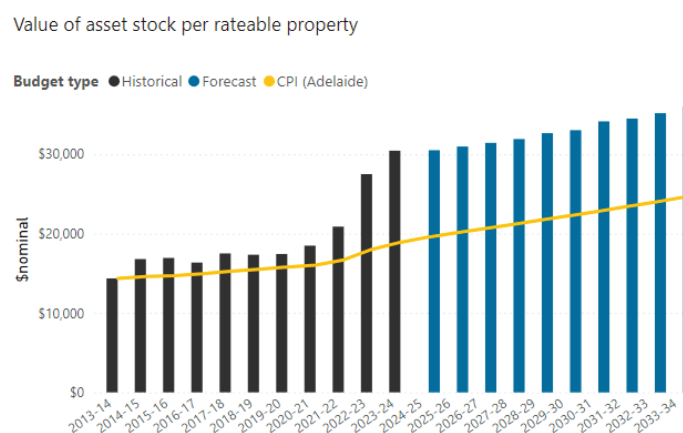
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Over the forecast period (from 2024-25 to 2033-34), capital expenditure on new or upgraded is forecast to average \$4.0 million per year which is an increase of 24.3 percent from the historical period when Wulanda Recreation and Convention Centre is excluded.⁴³

The Commission is concerned with the historical level of spending on new and upgraded assets, while expenditure on asset renewal and replacement appears to be under-funded. For the forecast period, the Council plans to fully fund asset renewal and replacement requirements (in line with its AMP), as indicated by Figure 9.

Further, a consequence of spending on new and upgraded assets creates a stream of future liabilities, as the community must continue to fund the renewal and replacement of those new assets as well as the existing asset base. This must be considered relative to affordability for the community and the Council's capacity to renew and replace the existing and new assets.

Figure 13: Value of asset stock per rateable property – historical and projected



Asset stock per rateable property increased sharply in 2022-23 with the development of the Wulanda Recreation and Convention Centre. The Council forecasts that the value of asset stock per rateable property will increase on average by 1.9 percent per annum from 2024-25 to 2033-34.

5.3.3 The Commission's recommendations on asset renewals expenditure

The Commission recommends that the Council:

4. **Review** its depreciation assumptions and the underlying valuations and useful life data to ensure that depreciation accurately reflects the rate of asset consumption and ensure that asset renewal and replacement is fully funded.
5. **Review** its pace of development of new and upgraded assets, having regard to rates affordability, the affordability of the stream of future liabilities created by new and upgraded assets and the need to prioritise and fully fund asset renewal and replacement.

⁴³ Capital expenditure for new assets averaged \$3.2 million per annum when the \$62.5 million for the construction of the Wulanda Recreation and Convention Centre is excluded.

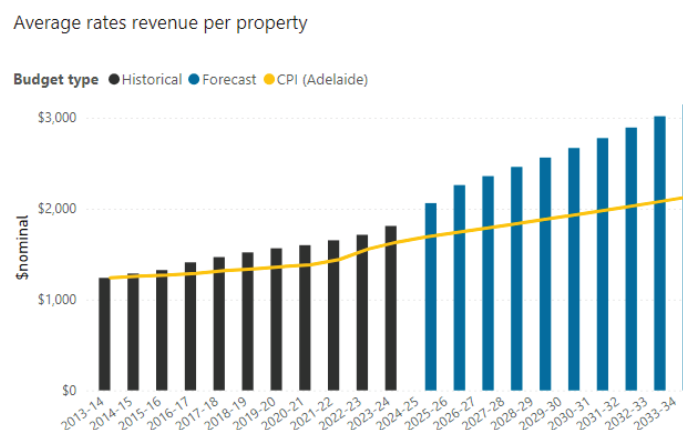
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6 Advice on current and projected rate levels

6.1 Key points

- ▲ Growth in rate revenue per property averaged 3.7 percent or \$53 per annum for each property between 2013-14 and 2022-23, which is 1.1 percentage points above average CPI for the same period.
- The budgeted general rate increase for 2024-25 is 10.0 percent per property, which is materially higher than the Council anticipated charging in previous forecasts.
- The forecast rate increases per property from 2024-25 to 2033-34 are projected to be an average of 4.8 percent per annum or a cumulative increase of \$1,086 over this period, which is well above the RBA's CPI inflation forecast of an average of 2.6 percent per annum.
- ▲ Affordability risk among the community for the further rate increases appears to be moderate to high, based on a range of factors, including an assessment of the economic resources available to the community, the current relatively low average residential rates, and the forecast increases in rates over the term of the LTFP.

Figure 14: Average rates revenue per property – historical and projected



6.2 Historical rates growth

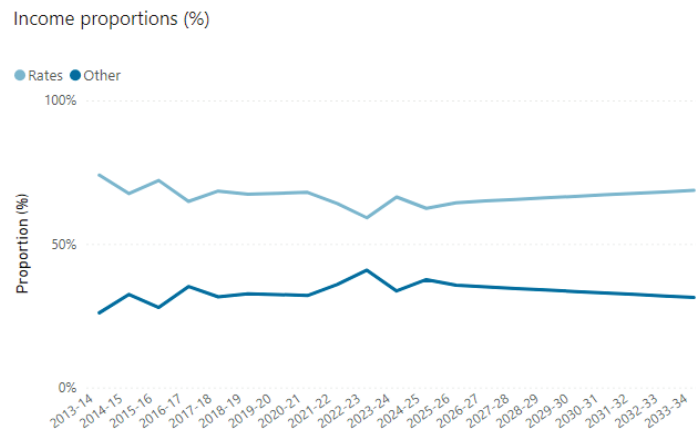
The Council's growth in rate revenue per property has averaged 3.7 percent per annum or \$53 per annum for each property over the past 10 years,⁴⁴ to reach an estimated average of \$1,713 per property in 2022-23 (see Figure 14). This growth rate was higher than the average CPI increase of 2.6 percent annually during the same period.⁴⁵

⁴⁴ From 2013-14 to 2022-23.

⁴⁵ CPI Adelaide (all groups) increased by 2.6 percent per annum on average over the period from 2013-14 to 2022-23, based on historical ABS statistics. Available at <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/>.

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Figure 15: Income Proportions (%)



Rate revenue represented 66.7 percent on average over the 10-year period from 2013-14 to 2022-23 (see Figure 15). Over this period income from grants represented approximately 13.8 percent, and income from user charges approximately 15.3 percent. The Council also had income from 'amounts received specifically for new and upgraded assets' (such as for the Wulanda Recreation and Convention Centre) which has been significant at times.⁴⁶

As previously noted, the number of rateable properties increased from 13,584 (in 2013-14) to 14,534 (in 2022-23) representing an average growth of 0.8 percent per annum. It is forecast to increase to 15,380 rateable properties, at an average growth rate of 0.5 percent per annum, over the period from 2024-25 to 2033-34.

The Council also has relatively lower 'general rates' compared to similar councils; however, this also reflects its relatively higher average rates for commercial ratepayers, and lower average rates for residential ratepayers.⁴⁷

6.3 Proposed rate increases for 2024-25

The Council has budgeted for average general rates increase of 10.0 percent or \$152 per property in 2024-25.⁴⁸ The rates increase recognises the Council's higher cost base and financial sustainability risks and is 9.7 percentage points higher than the Adelaide CPI for the annual period to March 2024 of 4.3 percent. This proposed rate increase is also higher than the Council anticipated charging for the year 2024-25 (in its previous LTFP projections of 6.2 percent). The Council also assumes 1.1 percent growth in the number of rateable properties (which is approximately 0.3 percentage points higher than its historical average).

The Council has adopted differential rate categories to apply to ratepayers based on the land use category of rateable property.⁴⁹ The Council has adopted 'rate in the dollar'⁵⁰ amounts which are applied across its land use categories, and these are expected to be comprehensively reviewed during 2024-25.

⁴⁶ Not accounted for in Figure 15.

⁴⁷ Refer to Councils in Focus rates data for 2021-22 available at https://councilsinfocus.sa.gov.au/councils/city_of_mount_gambier. The Commission is not relying on these rate comparisons for its advice; the data source provides one indicator, among many, which has informed its advice on the appropriateness of the rate levels. Other rate charges such as for waste management and the regional landscape levy do not form part of this comparison.

⁴⁸ City of Mount Gambier, Annual Business Plan 2024/2025, June 2024, pp. 45-47.

⁴⁹ The categories of rateable property consist of: residential, primary production, and other; and commercial, industry, and vacant land.

⁵⁰ Section 152(1) of the LG Act provides that a general rate may be a rate based on the value of the land subject to the rate (commonly referred to as the 'rate in the dollar').

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On a proportional revenue basis, residential ratepayers are expected to account for around 70.5 percent of 2024-25 general rates revenue, followed by commercial (19.3 percent), industry (5.8 percent), vacant land (3.1 percent), and primary production and other (1.3 percent).⁵¹

Other than general rates income (which represents around 80.6 percent of total rates income in 2024-25),⁵² the Council collects income from waste collection (around 14.8 percent) and from the Regional Landscape Levy (around 4.7 percent), though the Regional Landscape Levy funds are passed through to the State Government. Rates income from waste collection is anticipated to increase by 43.9 percent in 2024-25 or \$92 per rateable property.

6.4 Projected further rate increases

The Council has projected further average increases in rates income of 5.3 percent per annum over the period from 2024-25 to 2033-34, including growth in rateable properties. As a result, the average rates per property are forecast to increase by 4.8 percent per annum over the forecast period, which is 1.8 times the forecast average inflation of 2.6 percent per annum.⁵³

As noted previously, the Council appears to have considered several long-term planning assumptions, and importantly is seeking to address financial sustainability risks (and forecasting a return to an operating surplus by 2026-27), predominantly through modelling high long-term increases in rates based on RBA's CPI inflation forecast plus 2.0 percent.⁵⁴ The Council is also looking to pay down the borrowings accrued through the construction of the Wulanda Recreation and Convention Centre, primarily repaid through rates and user charges over the next 10 years.

The Council is seeking to undertake a comprehensive review of its rating strategy,⁵⁵ and the Commission suggests that community support for the significant rate increases is obtained (and affordability is considered). Further, to reduce the reliance on ratepayers, the Council could explore additional strategies to generate income, such as ensuring appropriate cost recovery on services for the Wulanda Recreation and Convention Centre or explore other revenue sources.

The Council's 2024-25 LTFP effectively projects a cumulative increase of \$1,086 per existing ratepayer (to \$3,148 per annum) by 2033-34 (refer to Figure 14).⁵⁶

6.5 Affordability risk

The affordability risk among the Council's community for these further rate increases appears to be moderate to high, on balance, when considering:

- ▶ the Council's relatively low socio-economic indexes for areas (SEIFA) economic resources ranking for the council area⁵⁷
- ▶ the relatively low average general rates for residential ratepayers compared to similar councils

⁵¹ City of Mount Gambier, *Annual Business Plan 2024/2025*, June 2024, p. 48.

⁵² Net of discretionary rebates.

⁵³ The forecast average annual growth in the CPI from 2025-26 to 2033-34 is estimated to be 2.6 percent based on the RBA forecasts for the CPI (Australia-wide) to December 2026 (and the Commission's calculations of average annual percentage growth) and the midpoint of the RBA's target range (2.5 percent) from 2026-27.

⁵⁴ City of Mount Gambier, *Long-Term Financial Plan 2025-2034*, June 2024, p. 16.

⁵⁵ City of Mount Gambier, *Long-Term Financial Plan 2025-2034*, June 2024, pp. 4-5.

⁵⁶ The CPI forecasts in the chart are based on RBA forecasts and then a return to long term averages (2.5 percent per annum), and this can be different to Council's own inflation and rate increase assumptions.

⁵⁷ The City of Mount Gambier area is ranked 13 among 71 South Australian 'local government areas' (including Anangu Pitjantjatjara and Maralinga Tjarutja Aboriginal community areas and 'unincorporated SA') on the Australian Bureau of Statistics SEIFA Index of Economic Resources (2021), where a lower score (e.g., 1) denotes relatively lower access to economic resources in general, compared with other areas, available at <https://www.abs.gov.au/statistics/people/people-and-communities/socio-economic-indexes-areas-seifa-australia/2021>.

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- ▶ the potential bill shock for rate payers in 2024-25 due to budgeted increase in general rates of \$152 per rateable property, and in waste management charges by \$92 per rateable property,
- ▶ the effect of cumulative increases in rates per property of approximately 4.8 percent per annum over the period to 2033-34, almost double the forecast rate of inflation, and
- ▶ a number of community concerns, with several submissions received by Council during the 2024-25 budget process, some ratepayers expressing concerns about the 2024-25 rate increase.⁵⁸

6.5.1 The Commission's advice on affordability risk

Affordability risk can also be viewed in the context of the Council's financial and asset sustainability risks, specifically, the Council is not projecting an operating surplus until 2026-27 and will rely on significant step-up in rates in 2024-25 to 2025-26. Its past asset management planning also suggests further investment in asset renewals is required to maintain existing service levels. The community's capacity to pay for these increases appears to be low (based on the SEIFA index), and as previously noted Council should consider increasing non-rate income sources and/or implement cost savings initiatives to reduce the reliance on ratepayers.

Accordingly, the Commission recommends that the Council:

6. **Review** its approach to addressing financial sustainability risks, in consultation with its community, with a view to limiting future increases in rates and improving affordability for ratepayers.

⁵⁸ See City of Mount Gambier, *Special Council Meeting Agenda – 18 June 2024, Item 4.1 2024/2025 Draft Annual Business Plan and Budget – Community Consultation Feedback – Report No. AR24/38805*, pp. 4-13, available at <https://cdn.mountgambier.sa.gov.au/agendas-minutes/Notice-and-Agenda-Special-Council-Meeting-18-June-2024-Website-PDF.pdf>.

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7 The Commission's next advice and focus areas

In the next cycle of the scheme, the Commission will review and report upon the Council's:

- ▶ ongoing performance against its LTFP estimates and how it has incorporated updates to asset valuations and depreciation, including the sequencing of the plan updates to ensure that the LTFP is informed by current values
- ▶ the identification and reporting of cost savings and operating efficiencies
- ▶ capital expenditure programs, including how it has continued to provide funding to the renewal of assets, and
- ▶ the Council's efforts to minimise any emerging affordability risks.

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8 Appendix: Glossary of terms

Item	Explanation
ABS	Australian Bureau of Statistics
AMP	Asset management plan (also called an IAMP)
ARFR	Asset Renewal Funding Ratio Since 2013, the asset renewal funding ratio has been defined as: $\text{Asset Renewal Expenditure} \div \text{IAMP Renewal Expenditure}$ Where IAMP Renewal Expenditure is that required according to the IAMP.
Commission	Essential Services Commission, established under the <i>Essential Services Commission Act 2002</i>
CPI	Consumer Price Index (Adelaide, All Groups)
Council	City of Mount Gambier
CWMS	Community Wastewater Management System
ESC Act	<i>Essential Services Commission Act 2002</i>
F&A	Local Government Advice: Framework and Approach – Final Report
FTE	Full Time Equivalent
IAMP	Infrastructure and asset management plan (also called an AMP)
LG Act	<i>Local Government Act 1999</i>
LGA SA Financial Indicators Paper	Local Government Association of South Australia, Financial Sustainability Information Paper 9 - Financial Indicators Revised May 2019
LGPI	Local Government Price Index
LTFP	Long-term financial plan
NFLR	Net Financial Liabilities Ratio Net Financial Liabilities are defined as: Total Liabilities LESS Current Assets (Cash and Cash Equivalents) LESS Current Assets (Trade and Other Receivables) LESS Current Assets (Other Financial Assets) LESS Non-Current Assets (Financial Assets - excluding equity accounted investments in council businesses) The net financial liabilities ratio is: $\text{Net financial liabilities} \div \text{Total Operating Income}$
OSR	Operating Surplus Ratio The Operating Surplus (Deficit) is defined as: $\text{Total Operating Income} \text{ LESS } \text{Total Operating Expenses}$

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Item	Explanation
	The Operating Surplus Ratio is defined as: Operating Surplus (Deficit) ÷ Total Operating Income
Regulations	<i>Local Government (Financial Management) Regulations 2011</i>
RBA	Reserve Bank of Australia
SEIFA	Socio-Economic Indexes for Areas
SMP	Strategic management plan
The scheme or advice	Local Government Advice Scheme

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5.7 EXTERNAL AUDIT MATTERS 2023/2024 UPDATE

Author: Kahli Rolton, Manager Financial Services
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'External Audit Matters 2023/2024 Update' as presented on Wednesday 2 April 2025 be noted.

PURPOSE

To provide an update to Audit and Risk Committee Members of the progress towards the matters raised by the external auditors as part of their audit clearance for the 2023/2024 financial year.

TERMS OF REFERENCE

The following section of the Audit and Risk Committee Terms of Reference is relevant to this report:

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.

RELEVANT LEGISLATION

Section 126 - Audit and risk committee

(4) The functions of an audit committee include

- (a) reviewing annual financial statements to ensure that they present fairly the state of the council; and
- (c) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

Section 129 - Conduct of audit

(3) The auditor must provide to the council

- (a) an audit opinion with respect to the financial statements, and
- (b) an audit opinion as to whether the controls audited under sub section (1) (b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.

BACKGROUND / OPTIONS

Audit Completion Report – Matters to be addressed in future financial years

The audit completion report identifies four matters to be addressed in future financial years as a result of the work undertaken by the external auditors. This provides an update to progress towards these matters.

1. **Financial Ratio Targets:** Council continue to review and update assumptions in the Long Term Financial Plan (LTFP) for events that have occurred in the 2023/2024 financial year.

ONGOING - Financial Ratio Targets are reviewed in line with quarterly budget revisions and annually at the update of the LTFP. A review of the LTFP will be undertaken in April alongside preparations for the 2025/2026 Annual Business Plan and Budget.

2. **Strategic Plan** – Caroline Landfill: Council undertake a detailed review of Caroline Landfill capping and post closure rehabilitation provisions and update key strategic plans to reflect the updated assumptions and estimates.

IN PROGRESS – A review of Caroline Landfill capping provision will be completed as part of preparation for the financial year ended 30 June 2025. Management are currently working with consultants to finalise the design of cell 3C and it is subject to EPA approval. Review of capping provisions for cell 3C and cell 4A will be informed by this work. The Waste Management Asset Management Plan is in progress of being updated with new estimates for the timing of outlay required for new capital expenditure on cell construction and capping.

3. **Caroline Landfill** – Capping Provision: Ongoing review and consideration of the assumptions behind the calculation of the capping provision at each budget review.

NOT STARTED – The nature of the landfill is that it does not materially change quarterly. Management suggest an annual review is more appropriate unless there is an event that occurs to warrant bringing forward the review as it may have a material impact. Due a large review of Caroline landfill being completed within the last 9 months, and no material changes at this point in time, capping provisions will be reviewed in line with end of financial year. It should be noted that there is a monthly review and update of depreciation based on consumption which is considered as part of the budget review process.

4. **Accounting Policy** – Caroline Landfill: Due to the material change in accounting for the Caroline Landfill capping and post closure rehabilitation recommend Council prepare a formal policy and procedure to account for the annual movement and treatment.

IN PROGRESS – The Asset Accounting Policy has been updated to reflect accounting treatment for relevant areas of the Caroline Landfill capping and post closure rehabilitation to address issues identified in the lead up to the end of financial year. Consideration of a separate policy and/or further expansion of the Asset Accounting Policy remains.

CONCLUSION

Progress has been made against the Matters raised by the external auditors as part of their audit clearance for the year ended 30 June 2024. Three Matters have progressed with one matter considered ongoing in nature. One matter has not been started with management suggesting review to be undertaken annually rather than quarterly.

ATTACHMENTS

1. 2024 Audit Completion Report - City of Mount Gambier [5.7.1 - 18 pages]



Audit Completion Report

Financial Year Ended 30 June 2024

City of Mount Gambier

DeanNewbery

18 October 2024

Dear Audit & Risk Committee Members

This report has been prepared for the City of Mount Gambier (the Council) Audit & Risk Committee in relation to the financial year ended 30 June 2024 external audit.

The purpose of this report is to provide members of the Audit & Risk Committee a summary of the significant matters that have arisen from our audit which we believe covers material matters dealt within our work completed.

As at the time of preparing this report, we have completed a sufficient level of work to enable us to provide you with our expected audit opinions subject to finalisation of the outstanding matters outlined within this report. We are pleased to report that we expect to issue an unmodified audit reports subject to the successful completion of the outstanding matters noted.

Should you require any further information, please contact me on 8267 4777.

I would like to take this opportunity to thank the Administration for the assistance provided throughout the audit process.

Your sincerely



SAMANTHA CRETEN
Director



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Executive Summary

Scope

The audit procedures have been designed and carried out by the audit team in accordance with Australian Auditing Standards and per the audit scope prescribed under the *Local Government Act 1999* and applicable Regulations for the financial year ended 30 June 2024.

Audit Status

All requested audit adjustments have been processed and disclosures within the financial report appropriately modified based on audit testing completed.

All requested information has been provided by the Administration during the course of the audit.

Subject to the finalisation of the matters outlined in this report, our audit opinions for the financial year ended 30 June 2024 will be signed without reference to any qualifications.

Draft copies of the audit reports have been provided within this report which is expected to be issued subject to successful completion of the outstanding matters noted.

Independence

In accordance with our professional ethical requirements, we confirm that, for the audit of the Council for the financial year ended 30 June 2024, all members of our audit team have maintained their independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Part 4A, published by the Accounting Professional and Ethical Standards Board and in accordance with *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Outstanding Matters

Subject to the following work being satisfactorily completed, we expect unmodified audit opinions to be issued for the financial year:

- Undertake a review of subsequent events since balance date.
- Obtain certified financial statements as required.
- Receipt of the signed Management Representation Letter.

Summary of Misstatements

Below is a summary of misstatements identified during the course of the Balance Date audit and the status of matters identified. Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been adjusted.

Misstatements which are considered trivial have not been included in the table below.

Matter No.	Description	Operating Surplus/ (Deficit) (\$'000)	Net Surplus/ (Deficit) (\$'000)	Assets Dr/(Cr) (\$'000)	Liabilities Dr/(Cr) (\$'000)	Equity Dr/(Cr) (\$'000)	Status of Matter
1	Correction to Caroline Landfill post closure rehabilitation provision movement	2,155	2,155	(231)	-	2,386	Corrected
2	Prior year retrospective restatement adjustment for Open Space contribution Income	(712)	(712)	(712)	-	712	Corrected
3	Adjustment to Provision for Long Service Leave	(89)	(89)	-	89	-	Corrected
Summary Corrected Misstatements		2,066	2,066	(231)	89	2,386	
Summary Uncorrected Misstatements		-	-	-	-	-	
Retrospective Restatement (2023) Summary Corrected Misstatements		(712)	(712)	(712)	-	712	

Summary of Misstatements (continued)

Below is a description of the issues identified with misstatements reported on Page 5:

No.	Matter	Description
1	Correction to Caroline Landfill Liability Post Closure Rehabilitation Movement	<p>The adjusting entry to account for the movement in the Caroline Landfill post closure rehabilitation provision (liability) was initially processed via Other Comprehensive Income (equity) with a portion of the movement being processed against the historical Asset Revaluation Reserve.</p> <p>A correction was made to ensure the movement recorded was processed in accordance with AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> & AASB Interpretation 1 - <i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i> which resulted in the movement being initially recorded against the carrying value of the asset (\$231k) and the remaining balance recorded as income (\$2,155k). Additional disclosures have been included in Note 1(10) to inform users of the financial statements to disclose events which have taken place during the year in relation to the review and update to the liability.</p>
2	Prior year retrospective restatement - Open Space Contribution Income	<p>To account for a retrospective adjustment required to FY23 comparatives for Open Space Contribution income that had been incorrectly recognised when development applications were received but were however found to not be due and payable given all conditions had not been met.</p> <p>Additional disclosures have been included in Note 20 of the Financial Statements.</p>
3	Adjustment to Provision for Long Service Leave	<p>Errors were identified in the worksheets used to calculate long service leave liability which were adjusted to rectify the matters identified.</p>

Key Audit Matters Considered

As part of our audit planning process we identified key audit and accounting matters that were considered and tested during the course of the audit which represented areas of identified risk where material misstatements could occur.

As a result of the work we have recently completed, we have provided further detail below of the key audit matters and the outcomes from our testing completed.

Management Override of Internal Controls		
Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
The Australian Auditing Standards mandate that the external auditor must assume there is a risk that the Council's Administration can override internal controls, even those that appear to be functioning effectively, leading to potential manipulation of accounting records.	<ul style="list-style-type: none">• Review and observation of controls in operation to assess whether controls are operating effectively as intended throughout the period.• Perform analytical reviews and recalculation of transactions.• Test the appropriateness of journal entries processed to prepare the financial statements.• Review of accounting estimates and assumptions applied to the preparation of those estimates to evaluate its appropriateness and relevance.	No matters were identified during the course of our audit.

Key Audit Matters Considered (cont.)

Caroline Landfill – Provision for Capping and Post Closure Rehabilitation		
Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Caroline Landfill – Provision for Capping and Post Closure Rehabilitation	<ul style="list-style-type: none"> Review of the methodology and calculation for the capping and post closure provision model prepared by BRM Advisory. Review of the Future Rehabilitation – Post Closure Assumptions Report prepared by Tonkin Consulting Pty LTD. Held discussions with the Administration. 	<p>Further to recommendations raised during our interim attendance and in previous audit correspondence issued, Council engaged Tonkin Consulting Pty Ltd (Tonkin) to perform an independent assessment of the landfill post closure restoration cost estimates for the Caroline Landfill. BRM Advisory were engaged to prepare a landfill closure cost model based on the information provided by Tonkin which was used to prepare the liability estimate which has been included in the financial statements.</p> <p>The work conducted by BRM Advisory resulted in a \$2.3million adjustment (decrease) to the liability in FY24. Based on our enquiries into the assumptions applied, the main reason behind the decrease recorded in the liability was as follows:</p> <ul style="list-style-type: none"> Present value discounting applied over the life of the entire landfill has been extended out to FY2103 providing an accurate estimate of the current provision based on the remediation costs at end of life.

Key Audit Matters Considered (cont.)

Revaluation of Infrastructure, Property, Plant & Equipment (IPPE) Assets		
Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Land and Buildings, Stormwater, Car Parks and Retaining Walls	<ul style="list-style-type: none"> Reviewed Asset revaluation movement processed through Councils Asset Register, General Ledger and Financial Statements. 	The majority of the work conducted to review the Asset Valuations was completed earlier in the year as reported in our Interim Management Letter issued on the 24 June 2024 where no issues were identified.

Treatment of Capital Works in Progress (WIP)		
Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Treatment of Capital Works in Progress (WIP)	<ul style="list-style-type: none"> Reviewed WIP reconciliation to identify any long-term projects recorded to ensure correct ongoing classification of costs as WIP. Tested transactions allocated to WIP to ensure appropriate allocation of expenses incurred in line with AASB 116 – <i>Property Plant and Equipment</i>. 	Our audit procedures have not identified any material misstatements.

Key Audit Matters Considered (cont.)

Accounting for Grant Income		
Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Accounting for Grant Income	<ul style="list-style-type: none"> Reviewed Grant Agreements and identified specific performance obligation to assess whether there were any unrecorded liabilities, and the recognition of revenue was appropriate per accounting standards. Reviewed accounting treatment of funding received (e.g., Capital vs Operating) to ensure appropriate classification and disclosure per the Model Financial Statements. 	<ul style="list-style-type: none"> Our audit procedures have not identified any material misstatements.

Employee Entitlements		
Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Employee Entitlements	<ul style="list-style-type: none"> Reviewed the assumptions and formulas used to calculate the Employee Entitlement Provisions to ensure these were consistent with Industry standards and Australian Accounting Standards. Reviewed data used from system to ensure integrity of Spreadsheets used. 	<ul style="list-style-type: none"> Misstatements have been identified and reported within this Report.

Matters for Those Charged with Governance and Management

Internal Controls

Description	Outcome
As required by Australian Auditing Standard (ASA) 265 <i>Communicating Deficiencies in Internal Controls to Those Charged with Governance and Management</i> , the external auditor is required to communicate any significant deficiencies in internal controls identified during the course of the audit.	Our work performed did not identify any significant deficiencies.

Fraud

Description	Outcome
The external audit is not designed to detect fraud however our audit procedures include evaluating the risk of material misstatement due to fraud whilst maintaining professional scepticism and evaluating evidence for signs of fraud. Should any instances arise and we become aware of it, we will report them to you.	Management have confirmed to us that there were no matters of fraud identified for the financial year and we have not identified any instances of fraud in the work we have completed. We believe it is important for the Administration and the Audit & Risk Committee to continually evaluate and enhance the effectiveness of the internal control environment to identify and mitigate potential fraud risks.

Legal Compliance

Description	Outcome
We have made enquiries with the Administration in relation to non-compliance with laws and regulations during the course of the financial year.	No instance of non-compliance have been identified as a result of the enquires we have made with the Administration.

Matters to be Addressed in Future Financial Years

As a result of audit work completed, the following audit matters have been identified during the course of our audit which we have summarised below.

Decline in Operating Surplus Ratio	
Audit Matter Description	Audit Recommendation
Financial Ratio Targets	<p>We note that the Operating Surplus Ratio has trended adversely in the 3-year period presented in Note 13 of the Financial Statements which we also note has been addressed within Council's LTFP.</p> <p>Recommend Council continue to review and update the assumptions in the LTFP for events that have occurred in FY24 to ensure that Council's long-term financial targets remain achievable and relevant.</p>

Strategic Plan Update for Caroline Landfill	
Audit Matter Description	Audit Recommendation
Strategic Plan - Caroline Landfill	<p>Given the work undertaken in FY24 to update Council's provision for the Caroline Landfill capping and post closure rehabilitation provision, we recommend that Council undertakes a detailed review and update to its key strategic plans to ensure that they reflect the updated assumptions and estimates.</p>

Matters to be Addressed in Future Financial Years

As a result of audit work completed, the following audit matters have been identified during the course of our audit which we have summarised below.

Caroline Landfill – Capping Provision

Audit Matter Description	Audit Recommendation
Caroline Landfill – Capping Provision	A contingent liability disclosure has been included in Note 18 in relation to the over filling of an open cell which has occurred during FY24 which requires to be remediated. A provision (liability) for capping remediation works totalling \$1.2 million is currently recognised on the Balance Sheet. A revised capping plan will need to be developed and agreed with the EPA to address the over filling of the cell at which time, a review of the capping liability will need to be undertaken to ensure that is appropriately reflects the scope of works required to be undertaken to remediate the site. We recommend that ongoing review and consideration of the assumptions behind the calculation of the liability be reviewed at each budget review moving forward to ensure that any changes to the timing and/or cost of works is factored into Council's budget and other strategic plans (e.g. Long Term Financial Plan) where required.

Accounting Policy – Caroline Landfill

Audit Matter Description	Audit Recommendation
Accounting Policy – Caroline Landfill	Due to the material change in the accounting for the Caroline Landfill capping and post closure rehabilitation we recommend that Council prepare a formal policy and procedure to account for the annual movement and treatment for accounting purposes to ensure consistency and retention of knowledge moving forward.

Draft Audit Report

INDEPENDENT AUDITOR'S REPORT

To the members of the City of Mount Gambier

Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the City of Mount Gambier (the Council), which comprises the Statement of Financial Position as at 30 June 2024, the Statement of Comprehensive Income, the Statements of Changes in Equity, the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information and the Certification of the Financial Statements.

In our opinion, the accompanying financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2024, and its financial performance and its cash flows for the year then ended in accordance with the *Local Government Act 1999*, *Local Government (Financial Management) Regulations 2011* and the Australian Accounting Standards.

Basis for Opinion

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

Responsibility of Management and Those Charged with Governance for the Financial Report

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

In preparing the financial report, Management is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Council's financial reporting process.

Draft Audit Report (Cont.)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that the audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

DEAN NEWBERY

Samantha Creten
Director

Signed on the day of 2024

Draft Assurance Report on Internal Controls

INDEPENDENT ASSURANCE REPORT ON THE INTERNAL CONTROLS OF THE CITY OF MOUNT GAMBIER

Opinion

In our opinion, the City of Mount Gambier (the Council) has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2023 to 30 June 2024.

Basis for Opinion

We have audited the Internal Controls of the Council under the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2023 to 30 June 2024 have been conducted properly and in accordance with law.

We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3150 *Assurance Engagements on Controls* issued by the Auditing and Assurance Standards Board.

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

The Council's Responsibility for the Internal Controls

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

Our Independence and Quality Control

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

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Council's compliance with *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities, based on our procedures have been conducted properly and in accordance with law.

ASAE 3150 requires that we plan and performed our procedures to obtain reasonable assurance about whether, in all material respects, the controls are suitably designed to achieve the control objectives and the controls operating effectively through the period. ASAE 3000 also requires us to comply with the relevant ethical requirements for the Australian professional accounting bodies.

An assurance engagement to report on the designed and operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of the design of the controls to achieve the control objectives and the operating effectiveness of the controls throughout the period. The procedures selected depend on our judgement, including the assessment of the risks that the controls are not suitably designed or the controls did not operate effectively. Our procedures included testing the operating effectiveness to the controls that we consider necessary to achieve the control objectives identified. An Assurance engagement of this type also includes evaluating the suitability of the control objectives.

Draft Assurance Report on Internal Controls

Limitation on Use

This report has been prepared for the members of the Council in accordance with *Section 129(1)(b) of the Local Government Act 1999* in relation to the Internal Controls specified above. We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than the members of the Council, or for any purpose other than that for which it was prepared.

Limitations of Controls

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

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

DEAN NEWBERY

SAMANTHA CRETEN

Director

Signed on the day of 2024

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5.8 AUDIT AND RISK COMMITTEE MEETING REPORT

Author: Kahli Rolton, Manager Financial Services
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That Audit and Risk Committee report titled 'Audit and Risk Committee Meeting Report' as presented on Wednesday 2 April 2025 be noted.
2. That the Audit and Risk Committee be provided with a summary of the outcomes of this meeting within 5 business days and will provide feedback prior to inclusion in the Council Meeting Agenda for 15 April 2025.

PURPOSE

A report to Council after the Audit and Risk Committee meeting, summarising the work of the committee preceding the meeting and the outcomes of the meeting.

TERMS OF REFERENCE

N/A

RELEVANT LEGISLATION

Section 126 of the Local Government Act effective from 30 November 2023

requires that the following report is prepared as shown below:

(8) A council audit and risk committee must—

(a) provide a report to the council after each meeting summarising the work of the committee during the period preceding the meeting and the outcomes of the meeting.

BACKGROUND / OPTIONS

Period Preceding the March Meeting:

1. **Workshop 5 February 2025** – A workshop for Audit and Risk Committee Members and Council Elected Members was held immediately prior to the meeting. This workshop included open discussion about two topics:
 - **Budget Guidelines** – 2025/2026 Budget Guidelines were discussed including assumptions for consumer price index (CPI) and the use of Local Government Price Index (LGPI). Feedback was provided on the use of indexation assumption with the purpose of not over-inflating expenditure, noting it is difficult to forecast where CPI may land at this early stage and in light of what is happening on the world stage resulting in political and financial uncertainty
 - **Rating Review** – An update was provided regarding progress made on the rating review. Discussion was held regarding the involvement the Committee wishes to have in the process, noting that ESCOSA Local Government Advice due to be received in February 2025 may affect the review. A further report will be tabled for receiving and noting of the Committee as the review progresses.
2. **Memorandum emailed to Committee Members 14 February 2025** - Superannuation Compliance Guideline – The purpose of the memorandum was to bring to the attention of the Committee new and pending information in relation to Council's obligation to pay superannuation on Audit and Risk Committee (and other Committee) sitting fees. Council

administration are currently working through the implications of this guideline and will provide further correspondence to members at a future meeting.

A question was received from a Committee member following the release of this memo seeking clarification if Council has a requirement to backpay superannuation to each independent member. The answer to this question will be addressed once further information and guidance is obtained.

3. **Email to Committee 10 February 2025** – Minutes of the Audit and Risk Committee meeting held Monday 5 February 2025.
4. **Email to Committee 28 February 2025** – ESCOSA Local Government Advice and seeking advice from the Presiding Member how the Committee would like Council to facilitate their review and commentary on the report.
The Presiding Member responded that the Committee would like to workshop each of the individual recommendations and observations from the ESCOSA report. A report on the ESCOSA review is presented at the upcoming Committee meeting 2 April 2025 to allow recommendations to Council to assist in addressing the feedback from ESCOSA over the next 4 years.
5. **Email to Committee 27 March 2025** – Draft copy of Asset Accounting Policy to be reviewed prior to Audit and Risk Meeting 2 April 2025 and memo with advice regarding the delay of the Strategic Risk Update Report.
6. **Council Member Briefing** - A meeting was held between the Council Member Audit and Risk Committee representative and General Manager Corporate and Regulatory Services, Manager Financial Services to provide a briefing on the reports included in the agenda prior to the meeting.
7. **Presiding Member Pre-Meeting** - A meeting was held between the Manager Financial Services and the Presiding Member to discuss the agenda prior to the meeting.

Outcomes of the Meeting:

The outcomes of this meeting will be summarised in a report direct to Council.

CONCLUSION

The recommendation to Council is that they note the report as presented (in conjunction with the minutes of the meeting).

ATTACHMENTS

Nil

6 URGENT MOTIONS WITHOUT NOTICE

7 CONFIDENTIAL ITEMS

Nil

- 8 MEETING CLOSE**
- 9 ATTACHMENT - PREVIOUS COMMITTEE MINUTES**



MINUTES

Audit and Risk Committee Wednesday 5 February 2025



Minutes of City of Mount Gambier Audit and Risk Committee held at:

Time: 5:30 pm
Date: Wednesday 5 February 2025
Location: Council Chamber - Civic Centre
10 Watson Terrace, Mount Gambier

City of Mount Gambier
Audit and Risk Committee Meeting Minutes

5 February 2025

PRESENT: Mayor Lynette Martin
Mr Paul Duka (virtual)
Cr Paul Jenner
Mr Alexander Brown (virtual)
Ms Belinda Johnson

**MEMBERS AS
OBSERVERS:** Cr Mark Lovett

OFFICERS IN ATTENDANCE:	Chief Executive Officer	- Mrs S Philpott
	General Manager Corporate and Regulatory Services	- Mrs J Fetherstonhaugh
	Manager Financial Services	- Ms K Rolton
	People and Culture Coordinator	- Ms L Little
	Executive Administrator	- Miss T Chant

Due to the Presiding Member, Paul Duka not being present in person, the Chief Executive Officer called for nominations for the position of acting Presiding Member.

COMMITTEE RESOLUTION ARC 2025/1

Moved: Mayor Lynette Martin

Seconded: Alexander Brown

Belinda Johnson be appointed as Acting Presiding Member for the meeting, due to the Presiding Member not being physically present.

CARRIED

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 APOLOGIES

Nil

3 CONFIRMATION OF MINUTES

3.1 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION ARC 2025/2

Moved: Alexander Brown

Seconded: Paul Duka

That the minutes of the Audit and Risk Committee Meeting held on 25 November 2024 be confirmed as an accurate record of the proceedings of the meeting.

	CARRIED
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4 **QUESTIONS WITHOUT NOTICE**

5 **REPORTS**

5.1 STRATEGIC RISK REGISTER

COMMITTEE RESOLUTION ARC 2025/3

Moved: Mayor Lynette Martin

Seconded: Cr Paul Jenner

1. That the Audit and Risk Committee report titled 'Strategic Risk Register' as presented on Wednesday 5 February 2025 be noted.

CARRIED

5.2 WORK HEALTH SAFETY (WHS) AND WELLBEING QUARTERLY REPORT - OCTOBER - DECEMBER 2024

COMMITTEE RESOLUTION ARC 2025/4

Moved: Alexander Brown

Seconded: Cr Paul Jenner

1. That the Audit and Risk Committee report titled 'Work Health Safety (WHS) and Wellbeing Quarterly Report - October - December 2024' as presented on Wednesday 5 February 2025 be noted.

CARRIED

5.3 BUDGET FRAMEWORK POLICY B300

COMMITTEE RESOLUTION ARC 2025/5

Moved: Mayor Lynette Martin

Seconded: Cr Paul Jenner

1. That the Audit and Risk Committee report titled 'Budget Framework Policy B300' as presented on Wednesday 5 February 2025 be noted.
2. That having been reviewed by the Audit and Risk Committee on 5 February 2025, the reviewed and amended Budget Policy be endorsed.

3. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the Budget Policy arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

CARRIED

5.4 REVIEW OF TERMS OF REFERENCE

COMMITTEE RESOLUTION ARC 2025/6

Moved: Alexander Brown

Seconded: Mayor Lynette Martin

1. That Audit and Risk Committee report titled 'Review of Terms of Reference' as presented on Wednesday 5 February 2025 be noted.
2. That the updated Audit and Risk Committee Terms of Reference having been reviewed by the Audit and Risk Committee at its meeting on 5 February 2025, be endorsed and recommended to Council for adoption.
3. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the Terms of Reference arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

CARRIED

5.5 AUDIT AND RISK COMMITTEE MEETING REPORT

COMMITTEE RESOLUTION ARC 2025/7

Moved: Cr Paul Jenner

Seconded: Mayor Lynette Martin

1. That Audit and Risk Committee report titled 'Audit and Risk Committee Meeting Report' as presented on Wednesday 5 February 2025 be noted.
2. That Council write to the Minister for Local Government to seek clarity and guidelines of the intention and requirements of Section 126(8)(a) Local Government Act 1999.

CARRIED

6 URGENT MOTIONS WITHOUT NOTICE

Nil

7 CONFIDENTIAL ITEMS

Nil

8 MEETING CLOSE

The meeting closed at 6:37 pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee Meeting held on 2 April 2025.

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PRESIDING MEMBER