

AGENDA

Audit and Risk Committee Monday 28 October 2024



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

Time: 5:30 pm
Date: Monday 28 October 2024
Location: Council Chamber - Civic Centre
10 Watson Terrace, Mount Gambier



Sarah Philpott
CHIEF EXECUTIVE OFFICER
24 October 2024

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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 14 August 2024 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE

5 REPORTS

5.1 DRAFT 2023/2024 FINANCIAL STATEMENTS

Author: Kylie Harradine, Financial Accounting Coordinator

Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That Council report titled 'Draft 2023/2024 Financial Statements' as presented on Monday 28 October 2024 be noted.
2. That the Audit and Risk Committee advises Council that in accordance with Section 126(4(a) of the Local Government Act 1999, it has reviewed the draft annual financial statements of Council for the financial year 2024 and 'they present fairly the state of affairs of the council'.
3. That having been reviewed by the Audit and Risk Committee on 28 October 2024, the Audit Completion Report and Management Representations Letter as attached to this report be noted.
4. That having reviewed the audit completion report, management representations letter and met with the external auditors, the Committee agree Dean Newbery and Partners have been effective in their appointment.
5. Acknowledges progress towards matters raised by Auditors, Dean Newbery to be addressed in future years as detailed in the Audit Completion report will be reported on at future Audit and Risk Committee meetings.

PURPOSE

The purpose of the annual financial statements is to provide Council, the community and other interested parties with a record of the financial activities and the financial position of the Council, comparative to the proceeding financial period.

The committee and the external auditors will have the opportunity to meet in confidence prior to the meeting.

Dean Newbery and Partners have provided their Audit Completion Report (Attachment 2) which acts as their audit clearance and includes their proposed audit opinions on the finance report and on the internal controls, as well as the Auditor's Independence Declaration. Council's Auditors have also provided a Management Representations Letter (Attachment 3) that Council have completed.

TERMS OF REFERENCE

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

12.1 Financial Reporting:

The Committee shall:

12.1.1 **Financial Statements** - Monitor the integrity of the financial statements of the Council, including in its annual report, reviewing significant financial reporting issues and judgements which they contain.

12.5 External Audit:

The Committee shall:

12.5.4 **Meeting** - Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year to discuss the external auditor's report and any issues arising from the audit.

12.5.6 **Audit Findings** - Review the findings of the audit with the auditor. This shall include, but not be limited to, the following:

- A discussion of any major issues which arose during the external audit;
- Any accounting and audit judgements; and
- Levels of errors identified during the external audit.

12.5.7 **Effectiveness** - The Committee shall also review the overall effectiveness of the external auditor.

12.5.8 **Representation Letter(s)** - Review any representation letter(s) requested by the auditor before they are signed by management.

RELEVANT LEGISLATION

Local Government (Financial Management) Regulations 2011 - 30.11.2023

Section 13 – Form of the financial statements

The financial statements of a council, council subsidiary or regional subsidiary (other than notes and other explanatory documentation) must be in accordance with the requirements set out in the Model Financial Statements.

Section 16 – Provision of Information

(1) In accordance with section 127(4) of the Act, council must on or before 30 November in each year, submit a copy of the audited financial statements of the council for the immediately preceding financial year to the presiding member of South Australian Local Government Grants Commission.

Local Government Act 1999 - 30.11.2023

Division 2 - Internal control, audit and risk committee etc

Section 125 - Internal control policies

(1) 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.

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.

SUMMARY OF IMPLICATIONS AND BENEFITS

Key issues identified include:

Caroline Landfill Post-Closure Adjustment

One of the key issues identified in the 2023/24 Interim Audit was related to the Caroline Landfill future restoration and capping provisions. This included a request to document the methodology behind provisions and ensure the estimation of landfill future restoration provision is suitably certified. Two independent companies were engaged to review the methodology and calculation for the Caroline Landfill capping and restoration. Tonkin Engineering completed an independent assessment of the future restoration, while BRM Advisory assisted with financial modelling and net present value methodology for the unwinding of provisions over time.

Initially, the adjustment for the Caroline Landfill future restoration provision (liability) was incorrectly processed through a section called "Other Comprehensive Income" (part of equity), with some of the adjustment affecting an account called the Asset Revaluation Reserve.

However, a correction was made to follow the correct accounting standards (AASB 137 and AASB Interpretation 1). This resulted in:

Part of the adjustment (\$231k) being applied to reduce the value of the asset.
The remaining amount (\$2,155k) being recorded as income.

To keep everything transparent, additional information has been added to Note 1(10) in the financial statements, explaining what happened and how the liability has been reviewed and updated during the year.

Retrospective Adjustment for Open Space Contribution Income

A correction was needed for the FY23 financial statements related to Open Space Contribution income. Initially, this income was recognised when development applications were received, but it was later found that the conditions required for payment had not been met, meaning the income should not have been recorded at that time.

As a result, a retrospective adjustment was made to correct this error in the FY23 comparatives. Additional information about this correction has been included in Note 20 of the Financial Statements to ensure transparency.

Correction of Long Service Leave Liability Calculation

Errors were found in the worksheets used to calculate the long service leave liability. These errors have been corrected to ensure the liability is now accurately reflected.

Valuations undertaken during the Financial Year

The following valuations were undertaken during the financial year, with the average percentage increase detailed in the Financial Statements as per note 6 and 8:

- Land based on Valuer General's valuations as at 30 June 2024
- Building and other structures as at 1 July 2023; and
- Other Infrastructure including stormwater drainage, retaining walls and carparks as at 1 July 2023.

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

Audit completion report identifies four matters to be addressed in future financial years as a result of the work undertaken by the Auditors:

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

Benefits

- Completion of Financial Statements provides information about the financial position, performance and changes in financial position of Council.
- Audit completion report issued by Dean Newbery noting an expectation to issue an unmodified audit report.
- Reporting of Annual Financial statements reviewed by external auditors provides a level of assurance to stakeholders that Council can deliver future strategic goals in the Long-term financial plan in a financially sustainable manner.
- Internal controls and regular audits offer an added layer of assurance relating to the accuracy and reliability of the financial statements.
- Adhering to the reporting requirements of the Local Government Act 1999 ensure Council are not subject to legal consequences, including penalties and or mandatory corrective actions.

BACKGROUND / OPTIONS

Appointment of External Auditors - Samantha Creten, Dean Newbery and Partners were appointed as Council's Auditors for the period 2022 – 2026, covering a total of 5 financial years.

Year 1 - Dean Newbery and Partners undertook 2 site visits each for a duration of two days; Interim audit in April 2022 and Balance date audit in August 2022, for the year ended 30 June 2022.

Year 2 - Dean Newbery and Partners undertook 2 site visits each for a duration of two days; Interim audit in May 2023 and Balance date audit in September 2023, for the year ended 30 June 2023.

Year 3 (Current year) - Dean Newbery and Partners undertook 2 site visits each for a duration of two days; Interim audit in May 2024 and Balance date audit in September 2024, for the year ended 30 June 2024.

DETAILED IMPLICATIONS

Legal	Financial statements are prepared accurately to reflect Councils financial position while complying with relevant accounting standards and principles. Council financial statements must be audited by an independent auditor to ensure the financial statements are free from material misstatements and comply with legal requirements. Financial statements must be made publicly available.
Financial and Budget	Analysis of financial statements allows Council to assess their financial performance and monitor financial sustainability. The information provided in annual financial statements can influence future budgeting decisions to ensure the future direction of Council is managed in a financially sustainable manner.
Other Resources	The Long-term financial plan and Asset management plan outline future goals and objectives of Council. Annual financial statements provide an opportunity to review current performance with projected performance.

RISK ANALYSIS

Consequence	Consequence Rating:	Risk Likelihood Rating:	Risk Rating	Risk Controls and effectiveness	Risk Mitigation Plan
Finance	Insignificant (1)	Unlikely (2)	Low	Financial statements were reviewed by independent external auditor.	Continue to outsource annual audit, with a change of service provider every 5 years.
Reputation	Minor (2)	Unlikely (2)	Low	Statements were audited independently and in line with legislation. Unqualified audit outcome.	Financial statements will form part of the Annual report for transparency to community,
Legal / Regulatory / Policy	Insignificant (1)	Rare (1)	Low	All requirements under the Local Government Act are met.	Review legislative requirements annually in line with work plan.

RELEVANT COUNCIL POLICY

- [Asset Accounting](#)
- [Asset Management - A900](#)
- [Budget Framework - B300](#)
- [Rates - Rating - R105](#)
- [Treasury Management - T150](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Once adopted, Council’s financial statements will be published in the Council’s Annual Report for the 2023/2024 financial year and will be provided to the:

- Minister for Local Government;
- South Australian Local Government Grants Commission; and
- Other key stakeholders.

CONCLUSION

The financial statements are general purpose statements representing the financial performance of the Council for the 2023/2024 financial year and the financial position as at 30 June 2024. The financial statements have been prepared in accordance with the Australian Accounting Standards and Local Government (Financial Management) Regulations 2011.

That having reviewed the report and attachments, it is recommended that:

- for the financial year 2023/2024 in accordance with Section 126 (4) (a) of the Local Government Act 1999, the Audit and Risk Committee confirm the draft annual financial statements of Council 'present fairly the state of affairs of the council;
- the Audit and Risk Committee note the Audit Completion Report (Attachment 2).

ATTACHMENTS

1. General Purpose Financial Statements [5.1.1 - 46 pages]
2. 2024 Audit Completion Report [5.1.2 - 18 pages]
3. Management Representation Letter [5.1.3 - 9 pages]

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City of Mount Gambier

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2024

City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2024

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City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2024

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2024 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Sarah Philpott
CHIEF EXECUTIVE OFFICER

Lynette Martin
MAYOR

Date:

Date:

City of Mount Gambier

Statement of Comprehensive Income

for the year ended 30 June 2024

\$ '000	Notes	2024	Restated 2023
Income			
Rates	2a	26,488	24,893
Statutory charges	2b	781	731
User charges	2c	9,179	6,947
Grants, subsidies and contributions - capital	2g	559	1,071
Grants, subsidies and contributions - operating	2g	1,102	6,402
Investment income	2d	54	49
Reimbursements	2e	1,230	755
Other income	2f	2,668	551
Total income		<u>42,061</u>	<u>41,399</u>
Expenses			
Employee costs	3a	15,292	14,365
Materials, contracts and other expenses	3b	19,320	17,460
Depreciation, amortisation and impairment	3c	10,795	10,176
Finance costs	3d	1,822	1,094
Total expenses		<u>47,229</u>	<u>43,095</u>
Operating surplus / (deficit)		<u>(5,168)</u>	<u>(1,696)</u>
Physical resources received free of charge	2i	2,053	1,054
Asset disposal and fair value adjustments	4	(1,475)	(364)
Amounts received specifically for new or upgraded assets	2g	216	5,808
Net surplus / (deficit)		<u>(4,374)</u>	<u>4,802</u>
Other comprehensive income			
Amounts which will not be reclassified subsequently to operating result			
Changes in revaluation surplus - I,PP&E	8a	45,425	90,897
Impairment (expense) / recoupments offset to asset revaluation reserve	8a	(177)	(575)
Total amounts which will not be reclassified subsequently to operating result		<u>45,248</u>	<u>90,322</u>
Total other comprehensive income		<u>45,248</u>	<u>90,322</u>
Total comprehensive income		<u>40,874</u>	<u>95,124</u>

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

City of Mount Gambier

Statement of Financial Position

as at 30 June 2024

\$ '000	Notes	2024	Restated 2023
ASSETS			
Current assets			
Cash and cash equivalent assets	5a	270	76
Trade and other receivables	5b	2,531	3,443
Inventories	5c	76	67
Subtotal		<u>2,877</u>	<u>3,586</u>
Non-current assets held for sale	17	335	–
Total current assets		<u>3,212</u>	<u>3,586</u>
Non-current assets			
Infrastructure, property, plant and equipment	6	445,641	399,756
Total non-current assets		<u>445,641</u>	<u>399,756</u>
TOTAL ASSETS		<u>448,853</u>	<u>403,342</u>
LIABILITIES			
Current liabilities			
Trade and other payables	7a	5,317	4,801
Borrowings	7b	9,986	7,088
Provisions	7c	3,561	3,011
Total current liabilities		<u>18,864</u>	<u>14,900</u>
Non-current liabilities			
Borrowings	7b	27,079	24,519
Provisions	7c	1,608	3,495
Total non-current liabilities		<u>28,687</u>	<u>28,014</u>
TOTAL LIABILITIES		<u>47,551</u>	<u>42,914</u>
Net assets		<u>401,302</u>	<u>360,428</u>
EQUITY			
Accumulated surplus		87,287	87,644
Asset revaluation reserves	8a	312,693	271,174
Other reserves	8b	1,322	1,610
Total equity		<u>401,302</u>	<u>360,428</u>

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

City of Mount Gambier

Statement of Changes in Equity

for the year ended 30 June 2024

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2024					
Balance as at 1 July		87,644	271,174	1,610	360,428
Net surplus / (deficit) for year		(4,374)	–	–	(4,374)
Other comprehensive income					
Gain (loss) on revaluation of IPP&E	6a	–	45,425	–	45,425
IPP&E impairment (expense) / recoupments offset to ARR	6a	–	(177)	–	(177)
Other comprehensive income		–	45,248	–	45,248
Total comprehensive income		(4,374)	45,248	–	40,874
Transfers between reserves	8b	288	–	(288)	–
Transfer between ARR and Accumulated surplus		3,729	(3,729)	–	–
Balance at the end of period		87,287	312,693	1,322	401,302

\$ '000	Notes	Accumulated surplus Restated	Asset revaluation reserve	Other reserves Restated	Total equity Restated
2023					
Balance as at 1 July		83,080	180,852	1,372	265,304
Net surplus / (deficit) for year		4,802	–	–	4,802
Other comprehensive income					
Gain (loss) on revaluation of IPP&E	6a	–	90,897	–	90,897
IPP&E impairment (expense) / recoupments offset to ARR	6a	–	(575)	–	(575)
Other comprehensive income		–	90,322	–	90,322
Total comprehensive income		4,802	90,322	–	95,124
Transfers between reserves	8b	(238)	–	238	–
Transfer between ARR and Accumulated surplus		–	–	–	–
Balance at the end of period		87,644	271,174	1,610	360,428

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

City of Mount Gambier

Statement of Cash Flows

for the year ended 30 June 2024

\$ '000	Notes	2024	2023
Cash flows from operating activities			
<u>Receipts</u>			
Rates receipts		26,501	24,803
Statutory charges		781	731
User charges		9,179	6,947
Grants, subsidies and contributions		1,102	6,419
Investment receipts		54	49
Reimbursements		1,230	755
Other receipts		1,349	50
<u>Payments</u>			
Payments to employees		(14,663)	(14,081)
Payments for materials, contracts and other expenses		(19,843)	(15,666)
Finance payments		(1,719)	(720)
Net cash provided by (or used in) operating activities	9b	3,971	9,287
Cash flows from investing activities			
<u>Receipts</u>			
Grants utilised for capital purposes		307	1,071
Amounts received specifically for new or upgraded assets		216	5,142
Sale of replaced assets		110	40
Sale of surplus assets		-	20
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(3,528)	(5,370)
Expenditure on new/upgraded assets		(6,188)	(18,216)
Net cash provided (or used in) investing activities		(9,083)	(17,313)
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from loans		8,374	10,000
Proceeds from bonds and deposits		64	22
<u>Payments</u>			
Repayments of loans		(2,930)	(1,905)
Repayment of lease liabilities		(202)	(265)
Net cash provided by (or used in) financing activities		5,306	7,852
Net increase (decrease) in cash held		194	(174)
plus: cash & cash equivalents at beginning of period		76	250
Cash and cash equivalents held at end of period	9a	270	76

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

(1) Basis of preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical cost convention

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

1.2 Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.3 Rounding

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

(2) The local government reporting entity

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

(3) Income recognition

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

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

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

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

City of Mount Gambier

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

	Cash Payment Received	Annual Allocation	Difference
2021/22	\$5,134,125	\$3,891,585	+ \$1,242,540
2022/23	\$5,541,926	\$4,227,169	+ \$1,314,757
2023/24	\$263,252	\$4,618,149	-\$4,354,897

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

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

Construction contracts

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

(4) Cash, cash equivalents and other financial instruments

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

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

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

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

(5) Inventories

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

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

(6) Infrastructure, property, plant and equipment

6.1 Initial recognition

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are given in Note 6. No capitalisation threshold is applied to the acquisition of land or interests in land or the Riddoch Art Collection.

6.3 Subsequent recognition

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

6.4 Depreciation of non-current assets

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

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

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

6.5 Impairment

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

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

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

(7) Payables

7.1 Goods & Services

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

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

7.2 Payments Received in Advance & Deposits

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

(8) Borrowings

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

Beginning 2024 financial year, cash advance debentures that are used in lieu of an overdraft facility for working capital have been reclassified to current liabilities. \$3.92M has been reclassified to current from non-current liabilities.

(9) Employee benefits

9.1 Salaries, Wages & Compensated Absences

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

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

Weighted avg. discount rate 4.00% (2023, 3.85%)
Weighted avg. settlement period 1 year (2023, 1 year)

9.2 Superannuation

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

(10) Provisions for reinstatement, restoration and rehabilitation

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

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements. Council's strategic planning aims to reduce waste to landfill and is extending the operational life of this facility. Due to this and the changing legislative environment it operates, uncertainty exists in the estimation of the future closure date. Engineering review by external consultants, Tonkins Engineering was completed 5 August 2024 to provide independent assessment of the future restoration provision as at 30 June 2024 and estimated future closure dates. Independent consultants, BRM Advisory were also engaged to complete financial modelling which has adjusted the methodology in calculating the net present value of future restoration costs over the life of the landfill site. This has resulted in an impact to other income of \$2,155,237 and subsequent reduction to the future restoration provision, liability recorded.

As at the time of preparing these financial statements, the Council is undertaking a strategic review of its waste management and disposal activities which may impact on the projected remaining filling life of the landfill activities and the landfill capping and post closure strategies. The Council has developed a waste management strategic plan which will be used as the basis for the waste master plan and may impact on the scope and timing of future works connected with the closure and rehabilitation of the landfill site. Consequently, the value of the landfill liability provisions may be subject to material changes once the review of the landfill capping and closure estimates is completed in line with the adoption of the waste master plan. Users of the financial statements should be aware of this potential material change in the future and in context of the key assumptions and estimates relating to the landfill liabilities recorded on the Balance Sheet.

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 1. Summary of Material Accounting Policies (continued)

(11) Leases

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

Council as a lessee

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

i) Right-of-Use-Assets

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

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

Office equipment	2 to 5 years
Land Improvements	1 year

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

ii) Lease Liabilities

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

(12) New accounting standards and UIG interpretations

Council has assessed all the standards / interpretations which are yet effective and have determined that there is no expected material impact on the reported financial position or performance.

City of Mount Gambier

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2024

Note 2. Income

\$ '000	2024	2023
(a) Rates		
General rates		
General rates	22,164	20,874
Less: mandatory rebates	(269)	(240)
Less: discretionary rebates, remissions and write-offs	(17)	(18)
Total general rates	<u>21,878</u>	<u>20,616</u>
Other rates (including service charges)		
Landscape levy	1,352	1,240
Waste collection	3,097	2,916
Total other rates (including service charges)	<u>4,449</u>	<u>4,156</u>
Other charges		
Penalties for late payment	122	93
Legal and other costs recovered	39	28
Total other charges	<u>161</u>	<u>121</u>
Total rates	<u>26,488</u>	<u>24,893</u>
(b) Statutory charges		
Development fees	189	200
Town planning fees	250	171
Animal registration fees and fines	223	245
Parking fines / expiation fees	42	44
Other licences, fees and fines	77	71
Total statutory charges	<u>781</u>	<u>731</u>
(c) User charges		
Cemetery/crematoria fees	911	834
Hall and equipment hire	14	19
Property lease	298	256
Sales - general	76	164
Sundry	36	49
Wulanda	2,726	1,310
Green Waste Collection	35	35
Landfill Charges	4,711	3,930
Sales - Waste Transfer Station	372	350
Total user charges	<u>9,179</u>	<u>6,947</u>
(d) Investment income		
Local Government Finance Authority	53	48
- Banks and other	1	1
Total investment income	<u>54</u>	<u>49</u>

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City of Mount Gambier

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2024

Note 2. Income (continued)

\$ '000	2024	2023
(e) Reimbursements		
Private works	19	9
Wulanda	975	649
Other	236	97
Total reimbursements	1,230	755

\$ '000	2024	2023 Restated
(f) Other income		
Insurance and other recoupments - infrastructure, property, plant and equipment	80	95
Sundry	361	285
Donations	72	64
Open Space Contributions	-	107
Caroline Landfill	2,155	-
Total other income	2,668	551

\$ '000	2024	2023
(g) Grants, subsidies and contributions		
Capital grants, subsidies and contributions		
Amounts received specifically for new or upgraded assets	216	5,808
Total amounts received for new or upgraded assets	216	5,808
Other grants, subsidies and contributions - capital		
Untied - Local Roads and Community Infrastructure	509	904
Boundary Roads Contributions	50	167
Total Other grants, subsidies and contributions - capital	559	1,071
Operating grants, subsidies and contributions		
Regional Transport Subsidy Program	134	159
Untied - Financial Assistance Grant	263	5,542
Roads to Recovery	430	421
Library and communications	165	165
Sundry	110	115
Total other grants, subsidies and contributions - operating	1,102	6,402
Total grants, subsidies and contributions	1,877	13,281

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City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 2. Income (continued)

\$ '000	2024	2023
(i) Sources of grants		
Commonwealth Government	950	6,267
State Government	793	6,771
Other	134	243
Total	<u>1,877</u>	<u>13,281</u>

(h) Conditions over grants and contributions

Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, and are required to be repaid to the funding body if not expended, are as follows:

Unexpended at the close of the previous reporting period	<u>294</u>	<u>435</u>
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Pine Hall / O'Leary Road	(12)	(363)
Tertiary Education	(30)	(16)
State Bicycle	(7)	(19)
Pinehall Avenue (O'Leary Road to Sunnybrae Road)	(208)	–
Margaret Worth Exhibition	(25)	–
Subtotal	<u>(282)</u>	<u>(398)</u>
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Tertiary Education	22	24
Pinehall Avenue (O'Leary Road to Sunnybrae Road)	–	208
Margaret Worth Exhibition	–	25
Subtotal	<u>22</u>	<u>257</u>
Unexpended at the close of this reporting period	<u>34</u>	<u>294</u>
Net increase (decrease) in assets subject to conditions in the current reporting period	<u>(260)</u>	<u>(141)</u>

(i) Physical resources received free of charge

Land and improvements	23	60
Roads	1,231	707
Stormwater drainage	508	–
Footpaths & Kerbing	291	287
Total physical resources received free of charge	<u>2,053</u>	<u>1,054</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 3. Expenses

\$ '000	Notes	2024	2023
(a) Employee costs			
Salaries and wages		12,429	11,755
Employee leave expense		1,617	1,405
Superannuation	16	1,512	1,352
Workers' compensation insurance		590	313
Other employee related costs		56	40
Less: capitalised and distributed costs		(912)	(500)
Total operating employee costs		15,292	14,365
Total number of employees (full time equivalent at end of reporting period)			
		143	135
(b) Materials, contracts and other expenses			
(i) Prescribed expenses			
Auditor's remuneration			
- Auditing the financial reports		28	27
Elected members' expenses		243	218
Election expenses		10	166
Subtotal - prescribed expenses		281	411
(ii) Other materials, contracts and expenses			
Contractors		8,100	6,487
Energy		1,827	1,716
Legal expenses		219	193
Levies Paid to Government - Regional Landscape levy recovered		1,351	1,241
Sundry		189	806
Contributions/Donations		547	460
Insurance		635	378
Levies Paid to Government - EPA, ESL & Dog Levies		1,925	1,985
Materials		1,564	1,413
Training		133	178
Water		257	158
Communication		238	274
Consultants		722	519
Licences and Subscriptions		1,332	1,241
Subtotal - Other material, contracts and expenses		19,039	17,049
Total materials, contracts and other expenses		19,320	17,460

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 3. Expenses (continued)

\$ '000	2024	2023
(c) Depreciation, amortisation and impairment		
(i) Depreciation and amortisation		
Buildings and other structures Infrastructure	4,560	3,525
Stormwater Drainage	319	125
Kerbing and Footpaths	1,603	1,238
Roads	2,400	2,020
Carparks	240	256
Right-of-use assets	217	196
Plant and equipment	775	692
Waste Management	345	1,754
Office Equipment	281	208
Other assets	49	47
Subtotal	10,789	10,061
(ii) Impairment		
Capital Work In Progress	6	58
Other Assets	-	57
Subtotal	6	115
Total depreciation, amortisation and impairment	10,795	10,176
(d) Finance costs		
Interest on loans	1,706	1,079
Interest on leases	32	15
Unwinding of present value discounts	84	-
Total finance costs	1,822	1,094

Note 4. Asset disposal and fair value adjustments

\$ '000	2024	2023
Infrastructure, property, plant and equipment		
(i) Assets renewed or directly replaced		
Proceeds from disposal	110	40
Less: carrying amount of assets sold	(1,469)	(404)
Gain (loss) on disposal	(1,359)	(364)
(ii) Assets surplus to requirements		
Proceeds from disposal	-	20
Less: carrying amount of assets sold	(116)	(20)
Gain (loss) on disposal	(116)	-
Net gain (loss) on disposal or revaluation of assets	(1,475)	(364)

City of Mount Gambier

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2024

Note 5. Current assets

\$ '000	2024	2023
(a) Cash and cash equivalent assets		
Cash on hand and at bank	270	76
Total cash and cash equivalent assets	270	76

\$ '000	2024	2023 Restated
(b) Trade and other receivables		
Rates - general and other	873	886
Accrued revenues	-	500
Debtors - general	1,333	1,891
GST recoupment	323	70
Prepayments	2	96
Subtotal	2,531	3,443
Total trade and other receivables	2,531	3,443

\$ '000	2024	2023
(c) Inventories		
Stores and materials	22	37
Trading stock	54	30
Total inventories	76	67

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 6. Infrastructure, property, plant & equipment and investment property

Infrastructure, property, plant and equipment

	Fair Value Level	as at 30/06/23				Asset movements during the reporting period										as at 30/06/24				
		At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3c)	Impairment Loss (recognised in P/L) (Note 3c)	Impairment Loss (recognised in Equity) (Note 5)	WIP Transfers	Adjustments & Transfers	Adjustments	Trs from/to "held for sale" category	Revaluation Increments to Equity (ARR) (Note 5)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
Waste Management	3	10,231	-	(9,841)	390	344	-	-	(345)	-	-	-	-	(232)	-	-	-	9,783	(9,626)	157
Capital work in progress		-	2,362	-	2,362	3,612	678	-	-	(6)	-	(2,307)	-	-	-	-	-	4,339	-	4,339
Land	2	18,039	-	-	18,039	-	-	-	-	-	-	(18,039)	-	-	-	-	-	-	-	-
Land	3	44,727	-	-	44,727	23	-	-	-	-	-	(25)	-	18,039	(335)	7,157	69,586	-	-	69,586
Office Equipment		-	4,206	(1,818)	2,388	-	29	(4)	(281)	-	-	-	59	-	-	-	-	4,110	(1,919)	2,191
Riddoch Collection	3	4,356	-	-	4,356	-	-	-	-	-	-	-	-	-	-	-	-	4,356	-	4,356
Buildings and other structures	2	3,987	33	(2,232)	1,788	-	-	-	-	-	-	-	(1,788)	-	-	-	-	-	-	-
Buildings and other structures	3	101,198	64,300	(53,206)	112,292	1,515	203	(116)	(4,560)	-	(140)	1,609	2,646	-	-	15,625	193,052	852	(64,830)	129,074
Stormwater Drainage	3	8,022	1,831	(2,596)	7,257	557	-	-	(319)	-	-	(12)	1	-	-	18,646	36,090	62	(10,022)	26,130
Kerbing and Footpaths	3	95,653	-	(21,373)	74,280	340	524	(255)	(1,603)	-	-	-	-	-	-	-	95,545	675	(22,934)	73,286
Roads (sub-base, pavement, seal, traffic lights)	3	149,113	-	(34,156)	114,957	2,290	1,320	(1,056)	(2,300)	-	-	637	-	-	-	-	148,594	3,537	(36,283)	115,848
Public Lighting		-	1,573	(24)	1,549	-	-	-	(35)	-	-	-	(858)	-	-	-	-	712	(56)	656
Infrastructure - Other (Retaining walls, safety barriers)		-	412	(15)	397	217	-	(46)	(65)	-	-	-	-	-	-	3,932	5,471	358	(1,394)	4,435
Carparks	3	10,451	162	(3,378)	7,235	-	72	(4)	(240)	-	-	1	-	-	-	65	10,497	168	(3,536)	7,129
Right-of-use assets		-	614	(337)	277	-	14	-	(217)	-	-	-	-	192	-	-	-	625	(359)	266
Plant and equipment		-	10,151	(3,966)	6,185	317	1,299	(147)	(775)	-	-	-	-	-	-	-	11,272	(4,393)	6,879	
Other assets		-	1,590	(313)	1,277	81	-	-	(49)	-	-	-	-	-	-	-	-	1,672	(363)	1,309
Total infrastructure, property, plant and equipment		445,777	87,234	(133,255)	399,756	9,296	4,139	(1,628)	(10,789)	(6)	(177)	-	-	(40)	(335)	45,425	563,191	38,165	(155,715)	445,641
Comparatives		323,939	94,416	(117,184)	301,171	13,965	4,898	(424)	(10,061)	(115)	(575)	-	-	-	-	90,897	445,777	87,234	(133,255)	399,756

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 6. Infrastructure, property, plant & equipment and investment property (continued)

Valuation of infrastructure, property, plant & equipment and investment property

Valuation of assets

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.

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).

Refer to Note 6a for the disclosure of the Fair Value Levels of Infrastructure, Property, Plant and Equipment Assets.

Information on valuations

Fair value hierarchy level 2 valuations - External valuation completed as at 1 July 2024 on buildings and structures used the current gross replacement cost with fair value level 3 inputs. Due to this certain buildings and structures and land thereon that were previously recorded as fair value level 2 have been transferred to fair value level 3.

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

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

- The determination of the cost to construct the asset (or its modern engineering equivalent) using current prices for materials and labour, the quantities of each being estimated based on recent experience of this or similar Councils, or on industry construction guides where these are more appropriate.
- The calculation of the depreciation that would have accumulated since original construction using current estimates of residual value and useful life under the prime cost depreciation method adopted by Council.

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

Other information

At 1 July 2004 upon the transition to AIFRS, Council elected pursuant to AASB 1.D5 to retain a previously established deemed cost under GAAP as its deemed cost. With subsequent addition at cost, this remains as the basis of recognition of non-material asset classes.

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

Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

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

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 6. Infrastructure, property, plant & equipment and investment property (continued)

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

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

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

Transition to AASB 13 - Fair Value Measurement

The requirements of AASB 13 Fair Value Measurement have been applied to all valuations undertaken since 1 July 2013 as shown by the valuation dates by individual asset classes below.

Capitalisation Thresholds

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

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

Estimated Useful Lives

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

Plant, Furniture & Equipment

Office Equipment	3 to 10 years
Vehicles and Road-making Equipment	3 to 25 years
Other Plant & Equipment	3 to 30 years

Building & Other Structures

Buildings	15 to 250 years
Park Structures	20 to 30 years
Playground Equipment	20 to 40 years
Benches, Seats, etc	10 to 30 years

Waste Management

Landfill assets	capacity in use
-----------------	-----------------

Infrastructure

Sealed Roads - Surface	15 to 40 years
Sealed Roads - Structure	40 to 240 years
Unsealed Roads	12 to 75 years
Paving and Footpaths, Kerb and Gutter	10 to 80 years
Carparks	15 - 80 years
Public Lighting	20 years
Stormwater Drainage	50 to 125 years

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 6. Infrastructure, property, plant & equipment and investment property (continued)

<i>Other Assets</i>	10 to 15 years
Artworks and Historical Collections	indefinite
Right-of-Use Assets (refer to Note 15)	life of lease

Waste Management - Landfill

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

Land & Land Improvements

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

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

Land was revalued as at 30 June 2024 based on Valuer General valuations provided to Council.

- Basis of valuation: Fair Value/Site value, Land Valuation Act 1971
- Date of valuation: 30 June 2024
- Valuer: Valuer General

Artworks and Historical Collections

The Riddoch Art Collection was last revalued as at 30 June 2023 by Simon Storey Art and Cultural Collection valuers. These assets and other historical collections are not depreciated.

- Basis of valuation: Fair Value
- Date of valuation: 30 June 2023
- Valuer: Simon Storey Valuers

Buildings & Other Structures

Buildings and other structures were revalued as at 1 July 2023 by Brooke Smith of AssetVal/Marsh. Revaluations occur every four years. All additions are initially recorded at cost. There has been a 13% average increase in depreciation for buildings and structures as a result of the revaluation undertaken.

- Basis of valuation: Fair Value/Market Value/Current Gross Replacement Cost
- Date of valuation: 1 July 2023
- Valuer: AssetVal

Infrastructure - Stormwater, Retaining Walls and Carparks

The valuation of Other Infrastructure including stormwater drainage, retaining walls and carpark assets were undertaken by independent valuer, Antonio Blefari MIE(Aust) NER from iinSights Pty Ltd as at 1 July 2023. There has been a 59% average increase in depreciation for Other Infrastructure as a result of the revaluation undertaken.

- Basis of valuation: Fair Value/Current Gross Replacement Cost
- Date of valuation: 1 July 2023
- Valuer: iinSights Pty Ltd

Infrastructure - Kerbing and Footpaths, Roads, Public Lighting

Infrastructure assets including footpaths, kerbs and guttering, and road assets were last revalued as at 30 June 2023 by independent valuer, Antonio Blefari MIE(Aust) NER from iinSights Pty Ltd.

- Basis of valuation: Fair Value/Current Gross Replacement Cost
- Date of valuation: 30 June 2023
- Valuer: iinSights Pty Ltd

Infrastructure - Public Lighting

These assets are recognised on the cost basis.

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

All other Assets

These assets are recognised on the cost basis in the case of signage and IT assets and depreciated over their useful lives.

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 7. Liabilities

\$ '000	2024 Current	2024 Non Current	2023 Current	2023 Non Current
(a) Trade and other payables				
Goods and services	3,804	–	2,477	–
Payments received in advance	472	–	435	–
- Grants and contributions - capital	–	–	252	–
- Other	37	–	43	–
Accrued expenses - employee entitlements	407	–	400	–
Accrued expenses - other	412	–	1,068	–
Deposits, retentions and bonds	172	–	108	–
Other	13	–	18	–
Total trade and other payables	5,317	–	4,801	–

(b) Borrowings

Loans	9,884	26,957	6,930	24,467
Lease liabilities	102	122	158	52
Total Borrowings	9,986	27,079	7,088	24,519

All interest bearing liabilities are secured over the future revenues of the Council

(c) Provisions

Employee entitlements (including oncosts)	3,561	239	3,011	167
Cell capping	–	1,200	–	783
Future restoration	–	169	–	2,545
Total provisions	3,561	1,608	3,011	3,495

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 8. Reserves

\$ '000	as at 30/06/23				as at 30/06/24
	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset revaluation reserve					
Land	52,123	7,156	–	(25)	59,254
Buildings and other structures	53,310	15,625	1,994	(140)	70,789
Infrastructure	156,771	22,644	827	(12)	180,230
Plant and equipment	770	–	(770)	–	–
Minor Plant	34	–	(34)	–	–
Waste Management	2,925	–	(2,925)	–	–
Other assets	5,241	–	(2,821)	–	2,420
Total asset revaluation reserve	271,174	45,425	(3,729)	(177)	312,693
Comparatives	180,852	90,897	–	(575)	271,174

\$ '000	as at 30/06/23				as at 30/06/24
	Opening Balance Restated	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other reserves					
Mount Gambier Cemetery	711	–	–	–	711
Mayor Christmas Appeal	97	40	(65)	–	72
Junior Sports Assistance Fund	128	24	(17)	–	135
Waste Service Charge	270	–	(270)	–	–
Open Space	404	–	–	–	404
Total other reserves	1,610	64	(352)	–	1,322
Comparatives	1,372	238	–	–	1,610

Purposes of reserves

Asset revaluation reserves

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

Other reserves

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

Mount Gambier Cemetery

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

Mayor Christmas Appeal

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

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 8. Reserves (continued)

Junior Sports Assistance Fund

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

Waste Management

Residual monies (income less expenses) from activities relating to waste collection.

Open Space

Monies held from creation of sub-divisions to be used for future open space projects.

Note 9. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2024	2023
(a) Reconciliation of cash			
Cash assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Total cash and equivalent assets	5	270	76
Balances per Statement of Cash Flows		270	76

\$ '000	2024	2023 Restated
(b) Reconciliation of change in net assets to cash from operating activities		
Net surplus/(deficit)	(4,374)	4,802
Non-cash items in income statements		
Depreciation, amortisation and impairment	10,795	10,176
Non-cash asset acquisitions	(2,053)	(1,054)
Grants for capital acquisitions treated as investing activity	(775)	(6,213)
Net (gain)/loss on disposals	1,475	364
Adjustment Caroline	(2,155)	-
	2,913	8,075
Add (less): changes in net current assets		
Net (increase)/decrease in receivables	912	(467)
Change in allowances for under-recovery of receivables	-	2
Net (increase)/decrease in inventories	(9)	(3)
Net (increase)/decrease in other assets	-	(4)
Net increase/(decrease) in trade and other payables	(467)	1,469
Net increase/(decrease) in unpaid employee benefits	622	215
Net cash provided by (or used in) operations	3,971	9,287

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City of Mount Gambier

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2024

Note 9. Reconciliation to Statement of Cash Flows (continued)

(c) Non-cash financing and investing activities

Acquisition of assets by means of:

Physical resources received free of charge	2i	2,053	1,054
Amounts recognised in income statement		2,053	1,054

Non-cash financing (other)

Leases		14	229
Total non-cash financing and investing activities		2,067	1,283

(d) Financing arrangements

Unrestricted access was available at balance date to the following lines of credit (\$ '000):

Bank overdrafts	250	250
Corporate credit cards	30	30
LGFA cash advance debenture facility	21,500	21,500

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

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 10(a). Functions

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 10(b).

	OPERATING INCOME		OPERATING EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN OPERATING INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	2024	2023 Restated	2024	2023	2024	2023 Restated	2024	2023	2024	2023
Functions/Activities										
Administration / Support Services	26,025	29,541	464	8,634	25,561	20,907	263	5,542	9,933	9,675
Community Support	960	858	1,766	1,257	(806)	(399)	-	-	14,374	14,432
Culture	428	401	7,167	4,702	(6,739)	(4,301)	226	207	41,076	34,782
Economic Development	132	150	3,472	2,218	(3,340)	(2,068)	14	-	5,335	4,116
Environment	9,323	6,158	13,976	10,904	(4,653)	(4,746)	134	178	33,469	8,865
Recreation	4,480	3,128	12,941	7,950	(8,461)	(4,822)	544	957	137,374	130,286
Regulatory Services	790	827	2,004	1,253	(1,214)	(426)	-	-	8	13
Transport	515	624	4,869	3,809	(4,354)	(3,185)	480	589	192,607	189,666
Engineering / Indirect	(611)	(295)	541	2,351	(1,152)	(2,646)	-	-	9,696	7,999
Unclassified Activities	-	-	-	-	-	-	-	-	-	-
Other	19	7	29	17	(10)	(10)	-	-	4,981	3,508
Total Functions/Activities	42,061	41,399	47,229	43,095	(5,168)	(1,696)	1,661	7,473	448,853	403,342

Revenues and expenses exclude net gain (loss) on disposal or revaluation of assets, amounts received specifically for new or upgraded assets and physical resources received free of charge.
The allocation methodology has changed with 2022 restated.

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 10(b). Components of functions

The activities relating to Council functions are as follows:

Administration / Support Services

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

Community Support

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

Culture

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

Economic development

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

Environment

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

Recreation

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

Regulatory services

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

Transport

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

Engineering / Indirect

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

Governance

Audit & Assurance, Planning and Performance, Legal Services and Major Projects.

Equity accounted Council businesses

Net Gain equity accounting Council businesses

Net Loss equity accounting Council businesses

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 11. Financial instruments

Recognised financial instruments

Bank, deposits at call, short term deposits

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost; interest is recognised when earned.

Terms & Conditions:

Deposits are returning fixed interest rates between 4.30% and 4.55% (2023: 1.05% and 4.30%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - rates and associated charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Secured over the subject land, arrears attract interest of 0.75% (2023: 0.48%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - fees and other charges

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Unsecured, and do not bear interest. Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - other levels of government

Accounting Policy:

Initially recognised at fair value and subsequently measured at amortised cost. An impairment provision is recognised using the expected credit loss method.

Terms & Conditions:

Amounts due have been calculated in accordance with the terms and conditions of the respective programs following advice of approvals, and do not bear interest. All amounts are due by Departments and Agencies of State and Federal Governments.

Carrying Amount:

Approximates fair value.

Liabilities - creditors and accruals

Accounting Policy:

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Council.

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 11. Financial instruments (continued)

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

Liabilities - interest bearing borrowings

Accounting Policy:

Initially recognised at fair value and subsequently at amortised cost using the effective interest rate.

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 4.75% and 6.15% (2023: 1.55% and 6.05%).

Carrying Amount:

Approximates fair value.

Liabilities - leases

Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 15.

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City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 11. Financial instruments (continued)

\$ '000	Due < 1 year	Due > 1 year and ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial assets and liabilities					
2024					
Financial assets					
Cash and cash equivalents	270	–	–	270	270
Receivables	2,528	–	–	2,528	2,529
Total financial assets	2,798	–	–	2,798	2,799
Financial liabilities					
Non-current borrowings	–	22,396	9,470	31,866	26,958
Payables	5,302	–	–	5,302	4,461
Current borrowings	11,249	–	–	11,249	9,883
Lease liabilities	102	122	–	224	224
Total financial liabilities	16,653	22,518	9,470	48,641	41,526
<u>Total financial assets and liabilities</u>	19,451	22,518	9,470	51,439	44,325
2023					
Financial assets					
Cash and cash equivalents	76	–	–	76	76
Receivables	2,766	–	–	2,766	3,347
Total financial assets	2,842	–	–	2,842	3,423
Financial liabilities					
Non-current borrowings	–	23,080	11,050	34,130	24,467
Payables	4,071	–	–	4,071	3,038
Current borrowings	12,409	–	–	12,409	6,930
Lease liabilities	158	52	–	210	210
Total financial liabilities	16,638	23,132	11,050	50,820	34,645
<u>Total financial assets and liabilities</u>	19,480	23,132	11,050	53,662	38,068

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 11. Financial instruments (continued)

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

\$ '000	2024		2023	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other variable rates	6.15%	13,920	5.51%	5,545
Fixed interest rates	4.91%	23,145	5.12%	26,062
		<u>37,065</u>		<u>31,607</u>

Net fair value

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

Risk exposures

Credit Risk represents the loss that would be recognised if counterparties fail to perform as contracted. The maximum credit risk on financial assets of the Council is the carrying amount, net of any impairment. All Council investments are made with the SA Local Government Finance Authority and are guaranteed by the SA Government. Except as detailed in Notes 5 & 6 in relation to individual classes of receivables, exposure is concentrated within the Council's boundaries, and there is no material exposure to any individual debtor.

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

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

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

Note 12. Capital expenditure and investment property commitments

\$ '000	2024	2023
Capital commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings & Other Structures	247	1,135
- Footpaths and Kerbing	51	-
- Roads	384	10
Plant and equipment	1,036	965
Waste	44	3,203
Other	69	-
	<u>1,831</u>	<u>5,313</u>
These expenditures are payable:		
Not later than one year	<u>1,831</u>	<u>5,313</u>
	<u>1,831</u>	<u>5,313</u>

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 13. Financial indicators

\$ '000	Amounts	Indicator	Indicators	
	2024	2024	Restated 2023	2022
Financial Indicators overview				
<i>These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.</i>				
1. Operating Surplus Ratio				
Operating surplus	(5,168)	(12.3)%	(4.1)%	5.4%
Total operating income	42,061			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
2. Net Financial Liabilities Ratio				
Net financial liabilities	44,750	106%	95%	97%
Total operating income	42,061			
<i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.</i>				
Adjustments to Ratios				
<i>In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i>				
Adjusted Operating Surplus Ratio				
Operating surplus	(813)	(1.8)%	(7.5)%	2.1%
Total operating income	46,416			
Adjusted Net Financial Liabilities Ratio				
Net financial liabilities	44,750	96%	109%	108%
Total operating income	46,416			
3. Asset Renewal Funding Ratio				
Asset renewals	3,528	61%	88%	79%
Infrastructure and Asset Management Plan required expenditure	5,762			
<i>Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets.</i>				
<i>It should be noted that the Infrastructure and Asset Management Plan required expenditure has been restated in 2023 for the change in accounting policy where library books are no longer treated as capital expenditure.</i>				

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 14. Uniform presentation of finances

\$ '000	2024	2023 Restated
The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.		
All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.		
<u>Income</u>		
Rates	26,488	24,893
Statutory charges	781	731
User charges	9,179	6,947
Grants, subsidies and contributions - capital	559	1,071
Grants, subsidies and contributions - operating	1,102	6,402
Investment income	54	49
Reimbursements	1,230	755
Other income	2,668	551
Total Income	42,061	41,399
<u>Expenses</u>		
Employee costs	15,292	14,365
Materials, contracts and other expenses	19,320	17,460
Depreciation, amortisation and impairment	10,795	10,176
Finance costs	1,822	1,094
Total Expenses	47,229	43,095
Operating surplus / (deficit)	(5,168)	(1,696)
Net timing adjustment for general purpose grant funding	(4,355)	1,315
Less: grants, subsidies and contributions - capital	(559)	(1,071)
Adjusted Operating surplus / (deficit)	(10,082)	(1,452)
Net outlays on existing assets		
Capital expenditure on renewal and replacement of existing assets	(3,528)	(5,370)
Add back depreciation, amortisation and impairment	10,795	10,176
Add back proceeds from sale of replaced assets	110	40
	7,377	4,846
Net outlays on new and upgraded assets		
Capital expenditure on new and upgraded assets (including investment property and real estate developments)	(6,188)	(18,216)
Add back grants, subsidies and contributions - capital new/upgraded	559	1,071
Add back amounts received specifically for new and upgraded assets	216	5,142
Add back proceeds from sale of surplus assets (including investment property, real estate developments and non-current assets held for resale)	-	20
	(5,413)	(11,983)
Annual net impact to financing activities (surplus/(deficit))	(8,118)	(8,589)

City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2024

Note 15. Leases

(i) Council as a lessee

Terms and conditions of leases

Council entered contracts as a lessee for various IT equipment.

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

(a) Right of use assets

\$ '000	Office	Other	Total
2024			
Opening balance	278	–	278
LTD Opening balance adjustments	164	27	191
Additions to right-of-use assets	–	14	14
Depreciation charge	(183)	(34)	(217)
Balance at 30 June	259	7	266
2023			
Opening balance	244	–	244
Additions to right-of-use assets	229	–	229
Depreciation charge	(195)	–	(195)
Balance at 30 June	278	–	278

(b) Lease liabilities

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

\$ '000	2024	2023
Balance at 1 July	210	231
LTD Opening balance adjustments	193	–
Additions	14	229
Accretion of interest	32	15
Payments	(225)	(265)
Balance at 30 June	224	210
Classified as:		
Current	102	158
Non-current	122	52

The maturity analysis of lease liabilities is included in Note 13.

The Group had total cash outflows for leases of \$210,000.
The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	217	195
Interest expense on lease liabilities	32	15
Total amount recognised in profit or loss	249	210

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 15. Leases (continued)

(ii) Council as a lessor

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

Note 16. Superannuation

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

Accumulation only members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (11.00% in 2023/24; 10.50% in 2022/23) and enterprise bargaining agreement (1% in 2024 and 2024). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) members

Salarylink is a defined benefit scheme where the benefit payable is generally based on a formula determined by the member's contribution rate, number of years and complete days and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2022/23) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2023. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to other superannuation schemes

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

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 17. Non-current assets held for sale and discontinued operations

Non-current assets held for sale

Council has decided to sell two vacant parcels of land as surplus to requirements. These parcels of land are not being actively used by Council and have not been identified as required for any strategic purposes in the future. Real estate sales agency agreements have been entered. Council's intention is to sell the properties within 12 months and remains committed to it's plan. Following the end of the reporting period but before the authorisation of these financial statements, new sales agreements have been entered to continue sales progression. The properties are recognised at the lesser of the carrying value and fair value less costs to sell. An impairment loss of \$25,177 has been recognised for one vacant land parcel.

\$ '000	2024	2023
(ii). Carrying amounts of assets and liabilities		
Assets		
Land	335	-
Total assets	335	-
Net assets	335	-

Note 18. Contingencies and assets/liabilities not recognised in the balance sheet

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

1. Land under roads

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

At reporting date, Council controlled 233.7 km of road reserves of average width 20 metres.

2. Potential insurance losses

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

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

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

3. Legal expenses

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

City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2024

Note 18. Contingencies and assets/liabilities not recognised in the balance sheet

4. Landfill

Cells incorporated at the Caroline Landfill site are depreciated based on capacity in use until the cell reaches conceptual height and is considered full. During 2024 an open cell reached conceptual height and continued to receive waste as agreed by the Environmental Protection Authority until a new cell was constructed. Construction of the new cell was completed on 29 August 2024.

At the time of preparing these statements, it is unknown what course of action is required for all or part of the waste that is considered overfilled. Due to this, no liability can reliably be estimated for the quantity or amount of waste that may need to be reallocated to the newly built cell, including amortisation and costs to physically move the waste.

Note 19. Related party transactions

Key management personnel

Transactions with key management personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 13 persons were paid the following total compensation:

\$ '000	2024	2023
The compensation paid to key management personnel comprises:		
Salaries, allowances & other short term benefits	917	1,327
Post-employment benefits	88	119
Long-term benefits	-	41
Total	1,005	1,487

Key management personnel and/or relatives of key management personnel own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. These purchases were made on normal commercial terms on an arm's length basis. No individual purchases from these businesses exceeded \$275.00 with the total cumulative spend for 2023/24 being \$2,586.67.

One key management personnel and/or relatives of key management personnel are members in a community based not-for-profit organisation that Council engage for contractual labour hire services including apprentices and trainees.

One key management personnel and/or relatives of key management personnel are advisory members in a community based not-for-profit organisation that supports charitable projects, organisations and educational scholarships.

Note 20. Equity - retained earnings and revaluation reserves adjustments

Correction of errors relating to a previous reporting period

Council have restated the Open Space contributions income previously recognised in 2022/2023. Open Space contributions were incorrectly recognised when a development application was received. Open Space contributions are not due and payable until request for land clearance is sought by the developer and relevant conditions met. Open Space contributions totalling \$819,197 was recognised as income, however only \$106,887 was current for that year. A restatement of \$712,310 was required reducing other income, debtors general and equity other reserves.

Adjustments are detailed below and all impacted areas have been identified through the reports with the header of "restated", including relevant notes and updated calculations for financial indicators. Prior to the restatements, operating surplus was reported at (\$984,000) and after the restatement is (\$1,696,000).

City of Mount Gambier

Notes to and forming part of the Financial Statements
 for the year ended 30 June 2024

Note 20. Equity - retained earnings and revaluation reserves adjustments (continued)

Adjustments to the comparative figures for the year ended 30 June 2023

Statement of Financial Position

\$ '000	Original Balance 30 June, 2023	Impact Increase/ (decrease)	Restated Balance 30 June, 2023
Other Reserves	2,322	(712)	1,610
Change to equity	2,322	(712)	1,610

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2023	Impact Increase/ (decrease)	Restated Balance 30 June, 2023
Other Income	1,263	(712)	551
Change to Other comprehensive income	1,263	(712)	551

DRAFT

Dean Newbery – Independent auditors report place holder

1 of 2 pages required

DRAFT

Dean Newbery – Independent auditors report place holder

2 of 2 pages required

DRAFT

Dean Newbery – Independent auditors report – internal controls place holder

1 of 2 pages required

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Dean Newbery – Independent auditors report place holder

2 of 2 pages required

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City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2024

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Mount Gambier Council for the year ended 30 June 2023 the Council's Auditor, Dean Newbery and Partners has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Sarah Philpott
CHIEF EXECUTIVE OFFICER

Paul Duka
PRESIDING MEMBER, AUDIT AND RISK COMMITTEE

Date:

DRAFT

City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2024

Statement by Auditor

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2023, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

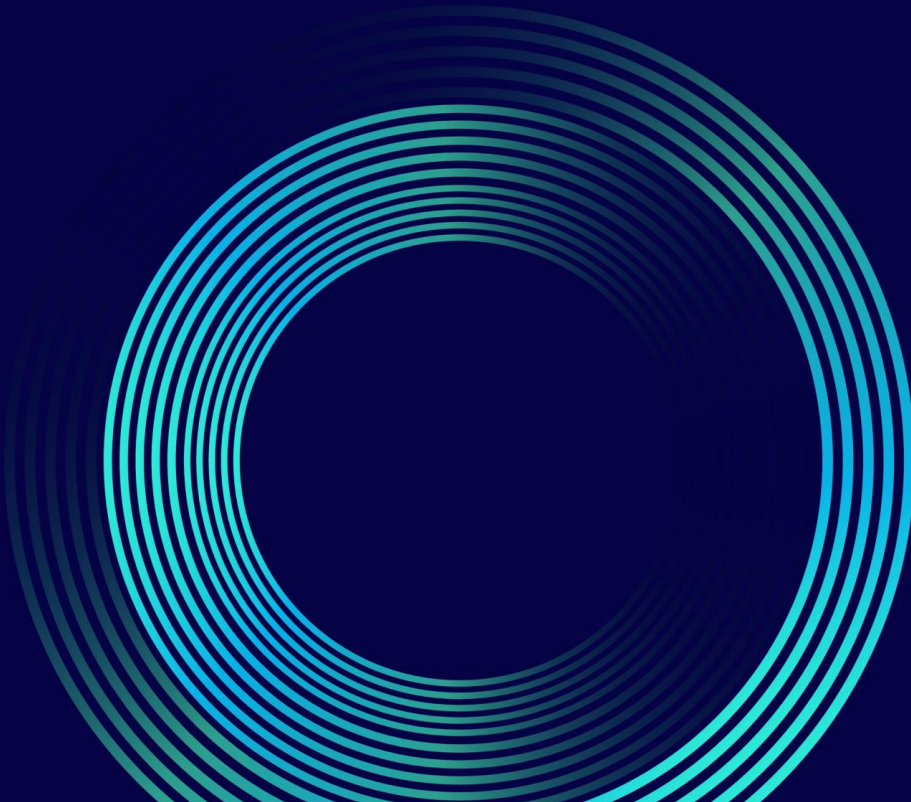
This statement is prepared in accordance with the requirements of Regulation 22 (5) *Local Government (Financial Management) Regulations 2011*.

Samatha Creten

Dean Newbery

Date:

DRAFT



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.

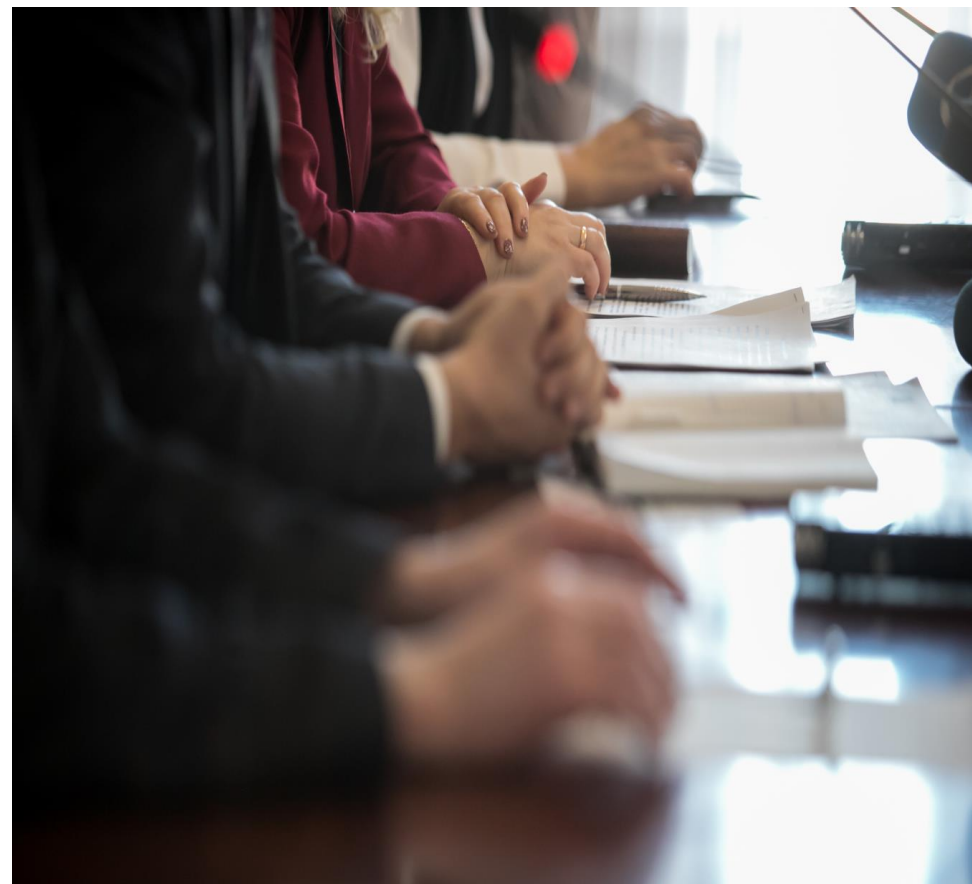
Should you require any further information, please contact me on 8267 4777.

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.	<p>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.</p> <p>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.</p>

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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Dean Newbery

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15 October 2024

Samantha Creten
Partner
Dean Newbery
PO Box 755
NORTH ADELAIDE SA 5006

Dear Samantha,

RE: MANAGEMENT REPRESENTATIONS: EXTERNAL AUDIT, FINANCIAL YEAR ENDED 30 JUNE 2024

This Management Representation letter is provided in connection with your audit examination of the General Purpose Financial Report (**2024 Financial Report**) of **City of Mount Gambier Council** (**'the Council'**) for the financial year ended 30 June 2024.

We hereby confirm, at your formal request, that to the best of our knowledge and belief, the following representations relating to the 2024 Financial Report are correct.

In making these representations, we understand that they are provided to you in connection with your external audit of the Council for the year ended 30 June 2024 as prescribed by the Local Government Act 1999, for the express purpose of your expressing an opinion as to whether the 2024 Financial Report is, in all material respects, presented fairly in accordance with all applicable standards and requirements, including statutory. In making these representations, we have read and understood the standard unqualified Audit Opinion that would be normally expressed to the Council by you as is required under Section 129(3) of the Local Government Act 1999 for the financial year ended 30 June 2024. We therefore understand, without exception, the potential ramifications of making any representations to you that are not correct, to the best of our knowledge and belief as of the date of this letter.

We understand and acknowledge that it is the Council management's responsibility for the fair presentation of the 2024 Financial Report and that management, as appropriate, have approved the Financial Report. Accordingly, management of the Council are of the opinion that the 2024 Financial Report is free of material mis-statements, including errors and omissions.

1. Compliance with all Applicable Standards, including Statutory

The Financial Report of the Council has been prepared so as to present a true and fair view of the state of affairs of the Council as at 30 June 2024 and of the results of operations of the Council for the financial year ended on that date, including for all post balance date matters, as applicable.

The accounting and financial management policies, practices and records of the Council were at all times maintained in accordance with the requirements of the Local Government Act 1999, Local Government (Financial Management) Regulations 2011 and that the Financial Report was prepared in accordance with the Local Government Act 1999, Local Government (Financial Management) Regulations 2011, Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board together with all other mandatory professional reporting requirements in Australia.

ASSETS

Cash and Cash Equivalents

- (1) Cash on hand at balance date was represented by cash floats reconciled and on hand as at 30 June 2024.
- (2) Cash at bank at balance date represented the reconciled operating account(s) of the Council.

Rates and Other Receivables

- (1) Current rate receivables at balance date represented all outstanding amounts owed by rate payers.
- (2) Current other receivables at balance date represented all outstanding amounts owed by debtors other than rate payers. For noting that current and other receivables have been reviewed and open space debtors removed where conditions have not yet been met as part of the relevant development application and therefore technically not a current debtor of Council. The prior year financial statements have been restated to reflect changes to recording of open space debtors and other income.
- (3) Debts due at balance date that are known to be uncollectable have since been written-off and adequate provision has been made for impairment to cover allowances, discounts and losses that may be sustained by Council in the collection of the debts.

Inventories.

- (1) All inventories were the property of the Council and have either been paid for or the liability has been brought to account.
- (2) All inventories have been physically counted and valued in accordance with the applicable Australian Accounting Standard.

Other Current Assets

- (1) Prepayments at balance date represented payments for goods and services to be received in the following financial year.
- (2) Non current assets held for sale have been included for two vacant land parcels that Council intends to sell and currently has on the market. These have been recognised as the lesser of carrying value and fair value less costs to sell. An impairment loss of \$25,177 has been recognised for one of the vacant land parcels.

Financial Assets – Loans to Community Groups

- (1) There are no grounds to provide for any impairment loss for loans to community groups or other organisations, none are held.

Investments Accounted using the Equity Method

- (1) Council has complied with all applicable Australian Accounting Standards with regard to Council's equity in subsidiaries, regional subsidiaries and other interests, as applicable.

Infrastructure, Property, Plant & Equipment and Depreciation

- (1) The additions during the 2024 financial year to Infrastructure (classes that have not been revalued), property, plant and equipment general ledger control accounts and asset registers represents the cost of additions and or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year, has been made to write-off depreciable assets over their useful economic working lives.

No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2024 is reliable.

- (2) All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2024 financial year and unchanged from the 2023 financial year.
- (3) Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2024, that asset's recorded carrying amount has been written down to its recoverable amount.
- (4) Material contractual commitments for capital expenditure(s) included in the Financial Report payable not later than one year are as described in the notes accompanying the Financial Report.
- (5) There are no deficiencies or encumbrances attaching to the title of the assets of the Council at 30 June 2024 other than those reflected in the financial report and those are not greater than the value of the asset.
- (6) No Operating or Finance Lease commitments exist that have not been disclosed in the Financial Report. All Operating Lease expenses have been fully disclosed in the notes to the 2024 Statement of Comprehensive Income. Finance Leasing commitments have been fully disclosed in the notes to the 2024 Statement of Financial Position.
- (7) The asset revaluations of Other Infrastructure assets undertaken during the 2024 financial year included carparks, retaining walls and storm water and drainage asset sub categories. These assets were revalued as at 1 July 2023 by independent valuer Antonio Blefari MIE(Aust) NER ilnSights Pty Ltd. based on the cost approach. An external consultant provided the condition ratings that were used in determining the valuation without further verification. The Condition audits were completed by suitably qualified consultants in the 2023 financial year.

Valuations of all Other Infrastructure assets have been formally recognised in the 2024 Financial Report.

- (8) The asset revaluation of all land owned by Council in 2024 was based on Valuer General's valuations.

Valuations have been formally recognised in the 2024 Financial Report.

- (9) Buildings and Structures were revalued by Brooke Smith FAPI, Certified Practising Valuer (CPV) of AssetVal as at 1 July 2023. The valuation approach was based on the current gross replacement cost approach with level 3 inputs.

Valuations of Buildings and Structures have been formally recognised in the 2024 Financial Report.

- (10) The resultant increment to the asset revaluation reserve during the year represents the difference between the prior written down value of the assets being valued and the valuations as at 30 June 2024. With the exceptions of adjustments required to correct asset revaluation reserve balances outside of revaluations.
- (11) Depreciation expense reported in the 2024 Statement of Comprehensive Income is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.

LIABILITIES – Current and Non-Current

- (1) All liabilities which have arisen or which will arise out of the activities of the Council to the end of the 2024 financial year have been included in the 2024 Financial Report.
- (2) All outstanding trade payables at balance date have been taken up as at the 2024 balance date.
- (3) All applicable accrued wages and salaries and accrued employee entitlements at the 2024 balance date have been taken up.
- (4) All accrued interest at the 2024 balance date have been taken up.
- (5) All revenue received in advance as at the 2024 balance date have been taken up.
- (6) Provisions for employee benefits, inclusive of on-costs, all discounted as at the 2024 balance date representing long service leave benefits calculated for all valid employees (as at balance date) have been corrected and applied.
- (7) Accrued employee benefits represent annual leave accrued for all valid employees as at the 2024 balance date.
- (8) Borrowings as at the 2024 balance date represented amounts owed to the Local Government Finance Authority. Loans with the LGFA have varying maturity dates and interest rates with details provided in the notes to the 2024 Financial Report.

Cash Advance Debentures (CAD's) that have been used to supplement working capital and are expected to be repaid in full throughout the coming financial year and then further drawn down on as required have been included at current liabilities. This is a contrast to the prior year where all CADs were reported as non-current.

For noting, that there are two CAD facilities maturing in 2024/2025 year which will require further reclassification next financial year.

- (9) There were no contingent liabilities including for:
 - a) guarantees;
 - b) bills and accounts receivable discounted, assigned or sold and which are subject to recourse;
 - c) endorsements; and
 - d) repurchase agreements.

At the time of preparation of the Financial Report it was unknown what course of action will be required for all or part of waste that is considered overfilled at the Caroline Landfill. Due to this, no liability can reliably be estimated for the quantity or amount of waste that may need to be reallocated from the overfilled cell to the newly constructed cell.

- (10) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with the applicable financial reporting framework.

EQUITY

- (1) A review of Asset Revaluation Reserves (ARR) was undertaken in conjunction with the relevant revaluations completed. This has resulted in corrections made to some ARR's via transfer from one reserve account to another. Further to this ARR's relevant to Minor Plant, Plant and Equipment and Waste Management have been adjusted to accumulated surplus. There have been no other adjustments to the Asset Revaluation Reserve other than those allowable under the Australian Accounting standards and the balance of the reserve has been reconciled to each class of asset.
- (2) All reserve funds required by legislation to be maintained have been at all times maintained in the accounting records of the Council with the exception of the Open Space reserve that was reinstated for the 2021/2022 financial year aligned with legislation.
- (3) All transfers to and from reserve funds (including the Accumulated Surplus) are aligned with previous years (with the exception of prior year corrections).
- (4) Other than for the Asset Revaluation Reserve, all other reserve accounts are those applied for 2024 Council budget purposes and have the same balances as at 30 June 2024.
- (5) Council does not maintain a "Contingency Reserve" (or equivalent).
- (6) No reserves are 'cash backed'.

2024 STATEMENT OF COMPREHENSIVE INCOME

- (1) Please find attached a summary of all variations greater than 10% for all income and expense amounts (variances less than \$10,000 have been deemed immaterial and not included) disclosed in the 2024 Statement of Comprehensive Income, compared to 2023.
- (2) All depreciable physical resources received free of charge have been included in the appropriate asset register and depreciated from the date when Council assumed control (of the asset).
- (3) Depreciation expense for 2024 is in accordance with Council's asset registers and has been determined on the same basis as for 2023, except for changes in useful life assumptions arising from revaluations.
- (4) Salaries and Wages expense disclosed in the 2024 Statement of Comprehensive Income reconciles to the last budgeted salaries and wage amount approved by Council for 2024 annual budget funding purposes.
- (5) Capital grants have been correctly separated from operating grants, in accordance with the requirements of the Model Financial Statements.

KEY FINANCIAL INDICATORS

Operating Surplus Ratio - The ratio in FY 2024 is significantly lower than the previous year and the anticipated target as per the adopted budget, driven by lower than expected untied grant revenue (Financial Assistance Grants). There has also been an increase in depreciation due to revaluations undertaken. These negative impacts on the operating surplus ratio have been partially offset by a one off adjustment for Caroline Landfill to other income.

Net Financial Liabilities Ratio – The ratio is higher than the previous year, but lower than the adopted budget, driven by a decrease in debtors due to a correction to accounting for open space development amounts actually due. Further to this borrowings have increased driven by the delivery of the project and operation for Wulanda. Peak debt is expected in the following financial year.

Asset Renewal Funding Ratio – This is lower than the previous year, and lower than the LTFP/adopted budget target and SA recommended target. Disruptions and supply shortages combined with the organisation's capacity to deliver have impacted upon the timing of the renewals program. A review of the organisation's capacity to deliver is required. However, a timing issue should be noted, that c\$1.7M in capital commitments still outstanding as at 30 June 2024 relates to asset renewal expenditure. Should the renewal expenditure have been expensed prior to 30 June 2024 the asset renewal funding ratio would have increased to c91%.

OTHER REQUIRED REPRESENTATIONS

- (1) No events have occurred (or are known to occur) subsequent to the 30 June 2024 that would require any consideration for adjustment to or additional disclosure in the 2024 Financial Report.
- (2) The Council does not have any plans or intentions that may materially affect the carrying value or classification of all assets and liabilities as at 30 June 2024.
- (3) The Council has complied with all aspects of contractual arrangements and agreements that would have a material effect on the 2024 Financial Report in the event of non-compliance.
- (4) There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, other than those disclosed in the 2024 Financial Report.
- (5) There are no violations or possible violations of laws, compulsory standards or regulations whose effects should be considered for disclosure in the 2024 Financial Report or as a basis for recording as an expense or otherwise.
- (6) The methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.
- (7) The Council has title to all assets controlled wholly or jointly, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (8) All details concerning related party transactions and related amounts receivable or payable (including sales, purchases, loans and guarantees) have been correctly recorded in the accounting records. All related parties have been identified and disclosed to you during your audit.
- (9) The Council regularly reviews, the adequacy of insurance cover on all assets and insurable risks. This review has been consistently performed, and where it is considered appropriate, assets and insurable risks of the Council are at all times adequately covered by appropriate insurance.
- (10) The minutes of all meetings of Council and its Committees were made available to you and are complete and authentic records of all such meetings held during the 2024 financial year and to the date of this letter. All other statutory records were properly kept at all times during the year and have been made available to you for audit purposes.

- (11) All audit correspondence has been formally and promptly responded.
- (12) All audit correspondence has been referred to Council and Council's Audit and Risk Committee.
- (13) Salaries and wages records together with records for the Goods and Service Tax were at all times fully maintained in accordance with the requirements of the Australian Taxation Office, as applicable.
- (14) All documentation relating to the capture of Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) including all authorised forms provided by the deemed Key Management Personnel, evidence of review of total related party transactions processed during the financial year have been made available to you.
- (15) All deemed material transactions relating to Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) have been included and adequately disclosed in the 30 June 2024 financial statements.
- (16) Council has formally in place and has at all times maintained an appropriate standard of accounting, internal control structure and framework, segregation of duties and risk management structure and framework across the entire organisation, including appropriate controls and mechanisms specifically designed to prevent and detect fraud and error. Further, we advise that there have not been any instances of fraud or error during the financial year ended 30 June 2024 or to the date of this letter. In addition, there are no matters that should be brought to your attention for the purposes of your making an assessment as to Sections 129(5) and 129(6) of the Local Government Act 1999.
- (17) The 2024 Financial Report has been adjusted for all agreed audit adjustments for the year ended 30 June 2024.
- (18) Council's Audit and Risk Committee has addressed all of its prescribed responsibilities and no member of the Committee has undertaken other professional services for the Council.
- (19) In our opinion, there are no grounds to believe that the Council will not be able to pay its debts as and when they fall due, that assets will be at all time maintained to the service standards currently determined by Council and accordingly, the Council is long term financially sustainable.

Yours sincerely



Sarah Philpott
Chief Executive Officer

Enclosures (as applicable)

Enclosure 1 – Statement of Comprehensive Income Variance Analysis

Statement Other Comprehensive Income	Restated 2023	2024	% var PY	High level comments	Original Budget	% var Original Budget
	'000	'000			'000	
A1. Rates	(24,893)	(26,488)	6%	in line with rates increase from prior year.	(26,416)	0%
A2. Statutory charges	(731)	(781)	7%		(734)	6%
A3. User charges	(6,947)	(9,179)	24%	budget variance on track. Prior year actual variance due to increase in Wulanda user charges due to full year of operations \$1.4m from prior year. Increase in fees for Caroline Landfill - raised to \$250/tonne from \$186/tonne (excl gst).	(9,193)	0%
A4. Investment income	(49)	(54)	9%	change in methodology for LGFA directly associated with borrowings.	(40)	26%
A5. Reimbursements	(755)	(1,230)	39%	includes Wulanda expense reimbursements with Belgravia. This includes electricity at \$847k. The original budget did not anticipate such high electricity costs. These are offset by expenditure.	(538)	56%
A6. Other income	(551)	(2,668)	79%	includes gross up of Wulanda reveue for profit share. Once off adjustment of \$2,155k for Caroline Landfill corrections.	(311)	88%
A7. Grants, subsidies and contributions	(7,473)	(1,662)	-350%	Financial Assistance Grants advance payment was received after the end of financial year resulting in \$4.355M reduction to revenue due to this. Budget was based on receipt of advance payment.	(5,048)	-204%
Total Income	(41,399)	(42,061)	2%		(42,280)	
B1. Employee costs	14,365	15,292	6%	brought cleaning in house, no longer contracted out. Annual salary increase of 4.5% applied in December.	15,087	1%
B2. Materials, contracts & other expenses	17,460	19,320	10%	includes gross up of Wulanda expenses for profit share. Refer reimbursements line above.	17,288	11%

B3. Depreciation, amortisation & impairment	10,176	10,795	6%	revaluation on buildings and structures \$304k and other infrastructure 224k. resulted increased depreciation. Tried to keep to a minimum by working with valuation consultants and reviewing heritage buildings useful lives etc. Valuations both dated 1 July 2023. For noting other items reducing actual depreciation include: carryovers \$1.746M to FY24/25 and no depreciation applied for Caroline Landfill cell being overfilled.	10,467	3%
B4. Finance costs	1,094	1,822	40%	Caroline NPV unwinding \$84k. Everything else relates to loans. Treasury management practices contribute to reduced interest. Other factors include carryovers of \$1.746M to FY24/25.	2,275	-25%
Total Expense	43,095	47,229	9%		45,117	
Operating Surplus (deficit)	(1,696)	(5,168)		adjusted surplus, including Financial Assistance Grants and excluding once off Caroline Landfill correction would be (\$2,967,607), a 4% variance.	(2,837)	
C3. Physical resources received free of charge	(1,054)	(2,053)	49%	valued using same rates applicable at most recent valuations, 1 July 2023. Assets as a result of development.	(1,000)	51%
C1. Asset disposal & fair value adjustments	364	1,475	75%			
C2. Amounts received for new or upgraded assets	(5,808)	(216)	-2594%	No longer in receipt of capital funding for Wulanda		
	(6,498)	(793)			(1,000)	
Net Surplus (deficit)	4,802	(4,374)			(1,837)	

5.2 COMPARISON OF ACTUAL TO BUDGET FOR THE YEAR ENDED 30 JUNE 2024

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

RECOMMENDATION

1. That Council report titled 'Comparison of Actual to Budget for the year ended 30 June 2024' as presented on Monday 28 October 2024 be noted.

PURPOSE

The purpose of this report is to table a comparison of the audited financial statements of Council for the year ended 30 June 2024 against the adopted budget. Evaluating variances between actual results and adopted budget ensures that financial performance is monitored and outcomes are transparent for key stakeholders including elected members, community, auditors and regulators.

TERMS OF REFERENCE

1.3 Functions -

The functions of the Audit and Risk Committee include

- a. reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
- b. proposing and providing information relevant to, a review of the council's strategic management plans or annual business plan.

RELEVANT LEGISLATION

Local Government (Financial Management) Regulations 2011—30.11.2023

10—Report on financial results

1. A council, council subsidiary or regional subsidiary must, by no later than 31 December in each year, prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the council, council subsidiary or regional subsidiary (as the case may be) for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.
2. A council must also include in a report under subregulation (1) audited financial results for the previous financial year of the council's operating surplus ratio, net financial liabilities ratio and asset renewal funding ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.

SUMMARY OF IMPLICATIONS AND BENEFITS

Implications

- Annual Business Plans and Budget are developed based on best estimates available at the time of preparation. Council Administration prepares at minimum 4 budget revisions throughout the financial year to account for deviations from the original budget. Not all deviations are in the direct control of Council and some deviations are deliberate decisions of Council. The largest deviation was the late payment of Financial Assistance Grants of \$4.35M, which was received after 30 June 2024. This was out of Council's control and direct influence.

- Timing issues in relation to capital expenditure are the main reason for the asset sustainability ratio reporting at 61%, 39% lower than target. At the end of the financial year c\$1.7M of capital commitments still outstanding related to asset renewal expenditure. Should this timing issue not have occurred, it is estimated that the asset sustainability ratio would have calculated at 91%. This adjusted ratio does not take into account prior year carryforwards.
- The 2023/2024 financial year includes improvements to financial modelling and accounting for the Caroline Landfill assets and associated provisions. Improvements to the methodology for calculating the net present value unwinding of future restoration provisions has impacted the financial statements by \$2.155m which is a once off impact to other income at time of recognition and not incorporated as part of the original budget.

Benefits

- Highlights where Council and Administration have adhered or deviated from the adopted annual budget plan and provides valuable insights for future planning and decision making. Insights identified can be used for future budgets and improving financial management practices.

BACKGROUND / OPTIONS

COMPREHENSIVE INCOME

Statement Other Comprehensive Income	Restated 2023	Draft 2024	% var PY	Original Budget	% var Original Budget
	'000	'000		'000	
A1. Rates	(24,893)	(26,488)	6%	(26,416)	0%
A2. Statutory charges	(731)	(781)	7%	(734)	6%
A3. User charges	(6,947)	(9,179)	24%	(9,193)	0%
A4. Investment income	(49)	(54)	9%	(40)	26%
A5. Reimbursements	(755)	(1,230)	39%	(538)	56%
A6. Other income	(551)	(2,668)	79%	(311)	88%
A7. Grants, subsidies and contributions	(7,473)	(1,662)	-350%	(5,048)	-204%
Total Income	(41,399)	(42,061)	2%	(42,280)	
B1. Employee costs	14,365	15,292	6%	15,087	1%
B2. Materials, contracts & other expenses	17,460	19,320	10%	17,288	11%
B3. Depreciation, amortisation & impairment	10,176	10,795	6%	10,467	3%
B4. Finance costs	1,094	1,822	40%	2,275	-25%
Total Expense	43,095	47,229	9%	45,117	
Operating Surplus (deficit)	(1,696)	(5,168)		(2,837)	
C3. Physical resources received free of charge	(1,054)	(2,053)	49%	(1,000)	51%
C1. Asset disposal & fair value adjustments	364	1,475	75%		100%
C2. Amounts received for new or upgraded assets	(5,808)	(216)	-2594%		100%
	(6,498)	(793)		(1,000)	
Net Surplus (deficit)	4,802	(4,374)		(1,837)	
Changes in revaluation surplus - IPPE	90,897	45,425		9,662	79%
Impairment (expense) / recoupments offset to asset revaluation reserve	(575)	(177)			
Total comprehensive income	95,124	40,874		7,825	

Council posted an operating variance of (\$2,331k) for the 2023/2024 financial year compared to adopted budget. This variance was mainly driven by the following key influences:

Operating Revenue (\$147k) or 0.35% less than adopted budget, unfavourable variance.

Rates \$72k favourable variance – broadly in line with budget.

Statutory Charges \$48k favourable variance – 3.3% increase on dog registrations from 2022/2023 financial year

User Charges (\$14k) unfavourable variance – broadly in line with budget overall, variances relating to discounts applied to Caroline Landfill waste disposal charges (\$112k) offset by increases to Cemetery revenue \$22k, timing of lease income \$46k, increase to waste transfer station revenue of \$11k and bus ticketing of \$6k.

Investment Income \$14k favourable variance – broadly in line with budget.

Reimbursements \$692k favourable variance – the majority of this is the accounting treatment for Wulanda reimbursement for operating expenses (including utilities) under the management agreement. This is offset by expenditure.

Other income \$2.36m favourable variance – A once off adjustment to correct accounting for the Caroline Landfill of \$2.155m. Council undertook significant work over the past financial year and engaged consultants which resulted in the methodology of calculating the net present value of Caroline Landfill future restoration provisions differently. In consultation with Auditors, Dean Newbery, this adjustment was made to operating revenue rather than via Other Comprehensive Income (equity). Further to this LGA rebate/performance bonus \$150k and \$43k insurance claims.

Grants Subsidies and contributions (\$3.39m) unfavourable variance – Council was due to receive an advance payment of (\$3.69m) in June 2024 from the State Government for General Purpose Financial Assistance Grants. This payment was received late, requiring recognition in the 2024/2025 financial year. Further to this \$169k extra in capital grants all related to Local Roads Community Infrastructure (LRCI), \$75k for regional transport grants, \$60k for boundary roads and \$10k asset valuation funding.

Operating Expenditure (\$2.11m) or 4.68% more than adopted budget, unfavourable variance.

Employee Costs \$205k unfavourable variance – cleaning was brought in house throughout the financial year, previously contracted out. Increase in salary and wage on adopted budget was offset by a reduction in contractors in this area.

Materials, Contracts & Other (\$2.03m) unfavourable variance – This category is quite broad and there are many movements within individual line item. For this reason the material movements have been called out:

- Contractors (\$1,335k) - majority of this is the accounting treatment for Wulanda fee for service split which is offset by revenue
- Energy (\$172) - includes gas and electricity
- Insurance (\$212) - includes building and structures revaluation and first full financial year of insurance for Wulanda
- Software (\$155k) - (\$31k) strategic project for GIS mapping, (\$12k) Agenda and Minutes software, (\$24k), (\$65k) Civica price increase and one extra months payment, along with general all-round increases in licencing and data storage.

- Materials (\$79k) - (\$23k) related to public conveniences, bringing the cleaning in house and offset by contractors
- Legal (\$77k) - rates (\$22k) and planning (\$33k) major contributors that in many cases are recoverable

Depreciation (\$328k) unfavourable variance – mainly due to the impact of valuations for buildings and structures and other infrastructure. However, this was offset by the minimal depreciation for Caroline Landfill Cell 3C that was being overfilled due to reaching conceptual height, therefore no remaining airspace to depreciate for the financial year.

Finance Costs \$453k favourable variance - \$501 better off interest expense on debt due to timing of capital expenditure, timing of Caroline Landfill capping (provision) and treasury management practices. Unfavourable variances include (\$34k) unwinding present value on Caroline Landfill provisions and (\$15k) interest on lease contracts.

Other Comprehensive Income items for consideration include:

Physical Resources Free of Charge \$1,053 favourable variance – items valued using newly applicable valuation rates from 1 July 2023. Assets as a result of development activities.

Change in Revaluation Surplus of \$35.59m favourable variance– includes valuations for buildings and structures \$15.6m, Stormwater Drainage \$18.6m, Land \$7.16m, Other infrastructure \$3.9m.

STATEMENT OF FINANCIAL POSITION

Statement of Financial Position	Restated 2023	Draft 2024	% var PY	Original Budget	% var Original Budget
ASSETS					
Current assets					
Cash and cash equivalent assets	76	270	71.85%	553	-104.81%
Trade and other receivables	3,443	2,531	-36.03%	1,803	28.76%
Inventories	67	76	11.84%	61	19.74%
non-current assets held for sale	0	335	100.00%	0	100.00%
Total current assets	3,586	3,212		2,417	
Non-Current assets					
Infrastructure, property, plant and equipment	399,756	445,641	10.30%	327,405	26.53%
Total non-current assets	399,756	445,641	10.30%	327,405	
TOTAL ASSETS	403,342	448,853		329,822	
LIABILITIES					
Current liabilities					
Trade and other payables	4,801	5,317	9.70%	5,162	2.92%
Borrowings	7,088	9,986	29.02%	1,269	87.29%
Provisions	3,011	3,561	15.45%	2,848	20.02%
Total current liabilities	14,900	18,864		9,279	
Non-current liabilities					
Borrowings	24,519	27,079	9.45%	38,801	-43.29%
Provisions	3,495	1,608	-117.35%	3,890	-141.92%
Total non-current liabilities	28,014	28,687		42,691	
TOTAL LIABILITIES	42,914	47,551		51,970	
NET ASSETS	360,428	401,302		277,852	
EQUITY					
Accumulated surplus	87,644	84,593	-3.61%	86,991	-2.83%
Asset revaluation reserves	271,174	315,386	14.02%	189,489	39.92%
other reserves	1,610	1,322	-21.79%	1,372	-3.78%
TOTAL EQUITY	360,428	401,301	10.19%	277,852	

Key variances to the adopted budget include:

Cash and cash equivalents (\$283k) unfavourable variance – lower cash balance reflecting treasury management policy of minimising cash balances and borrowing levels. Cash balances reported on a weekly basis to executive management.

Trade & Other Receivables \$728k favourable variance – large contributor to this is the increase in general debtors due to reimbursements for Wulanda. Also increases to fees and charges including Caroline Landfill.

Infrastructure Property, Plant and Equipment \$118.24m favourable variance – is higher than the adopted budget mainly as a result of greater than budgeted valuation increase across buildings and structures and stormwater drainage.

Borrowings (current and non-current) \$3m favourable variance – borrowings are lower than the adopted budget mainly due to timing of the capital works program and Caroline Landfill capping expenditure on capping provision for Cell 3C.

Provisions (current and non-current) \$1.57m favourable variance – provisions are lower than adopted budget mainly due to reduction to Caroline Landfill future restoration provision.

KEY FINANCIAL RATIOS

Ratio	Adopted Budget 2023/2024	Draft Actual 2023/2024	Variance comments
Operating Surplus Ratio	-6.7%	-12.3% -1.8% adjusted	Driven by late payment of financial assistance grants
Net Financial Liabilities Ratio	117%	106% 96% adjusted	Driven by reduced borrowings due to timing of capital expenditure and treasury management practices
Asset Renewal Funding Ratio	100%	61%	Driven by carryforward of \$1.7m relative to renewal capital expenditure, some of which relates to timing of plant purchases and supply chain lead time.

DETAILED IMPLICATIONS

Legal	n/a
Financial and Budget	Detailed in background section above
Other Resources	n/a

RISK ANALYSIS

Consequence	Consequence Rating:	Risk Likelihood Rating:	Risk Rating	Risk Controls and effectiveness	Risk Mitigation Plan
Finance	Moderate (3)	Possible (3)	Moderate	That the organisation will not remain sustainable in the long term. Budget management and accountability.	Regular review of financial results and ratios.

RELEVANT COUNCIL POLICY

[Budget Framework - B300](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

n/a

CONCLUSION

Council's end of year results as shown in the audited financial statements indicate its ongoing financial position has been impacted by the timing of capital expenditure, inflationary pressures and grant revenue.

Maintaining Council's position by working within annual and long term financial targets is crucial in achieving the long term financial plan, ensuring financial sustainability and building capacity to achieve Council's long term strategic goals.

ATTACHMENTS

Nil

5.3 AUDIT AND RISK COMMITTEE ANNUAL REPORT

Author: Kahli Rolton, Manager Financial Services

Authoriser: Sarah Philpott, Chief Executive Officer

RECOMMENDATION

1. That Council report titled 'Audit and Risk Committee Annual Report' as presented on Monday 28 October 2024 be noted.

PURPOSE

The purpose of this report is to table the Annual Report of the Audit and Risk Committee (the Committee) for the financial year ended 30 June 2024.

The Annual Report provides a summary for Council of the work undertaken during the year. Key highlights of the Report include:

- 8 meetings were held in 2023/2024 financial year
- comprehensive work plan including:
 - Financial Reporting and Management
 - Internal Controls and Risk Management
 - Internal Audit
 - External Audit
 - Strategic Management and Business Plans
 - Policy reviews.
- Positive self-assessment review.

Refer Attachment 1 to this Report to review the Annual Report.

TERMS OF REFERENCE

14.5 Regular Reporting - in alignment with Local Government Act s126

RELEVANT LEGISLATION

Local Government Act 1999 (30.11.2023) S126

(8) A council audit and risk committee must -

- (a) provide an annual report to the council on the work of the committee during the period to which the report relates.

(9) A council must ensure that the annual report of its audit and risk committee is included in its annual report.

The Local Government Act, Financial Sustainability Information Paper 3 -

recommends that the Committee provide an annual report to Council.

SUMMARY OF IMPLICATIONS AND BENEFITS

Implications

- The Committee would not be compliant with its Terms of Reference or the Local Government Act if an Annual Report was not prepared.
- Due to their nature, details of any confidential matters reviewed by the Committee have not been included in the Annual Report as it will be publicly available.

Benefits

- The Committee provided independent assurance and advice to the Council on a wide range of strategic, financial, governance and risk matters. Adding value to the operations of Council.

- Whilst the Council receives Minutes of all Audit and Risk Committee meetings held, the Annual Report provides a snapshot for easy reference and comparison in future years.

DETAILED IMPLICATIONS

Legal	Local Government Act 1999 s126 requires an annual report. This has been met.
Financial and Budget	Per Terms of Reference of the Audit and Risk Committee item 1.3, the Committee's functions include review of Council's strategic management plans or annual business plan. The Annual Report shows that the Committee has complied with its terms of reference in June 2024 having reviewed: <ul style="list-style-type: none"> • Annual Business Plan and Budget • Long Term Financial Plan • Asset Management Plans

RISK ANALYSIS

Consequence	Consequence Rating:	Risk Likelihood Rating:	Risk Rating	Risk Controls and effectiveness	Risk Mitigation Plan
Finance	Insignificant (1)	Rare (1)	Low	Effective	Continue to review internal controls assessments biennially
Reputation	Insignificant (1)	Rare (1)	Low	Effective	Continue Self Assessment Review annually
Legal / Regulatory / Policy	Insignificant (1)	Rare (1)	Low	Effective	Continue to review Council Policies

RELEVANT COUNCIL POLICY

Audit and Risk Committee Terms of Reference, adopted by Council at its meeting held 16 April 2024.

The Committee reviews numerous Council Policies to provide independent review and advice. In 2023/2024 the following Policies were reviewed:

- Leases/Licences
- Fraud, Corruption, Misconduct and Maladministration Prevention
- Internal Audit
- Procurement and Disposal of Land and Assets
- Asset Accounting
- Risk Management

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

The Annual Report of the Committee must be included in the Annual Report of Council. A copy of the Annual Report will be made available on Council's website following endorsement by Council.

CONCLUSION

The Annual Report of the Audit and Risk Committee for the financial year ended 30 June 2024 provides a snapshot of the comprehensive work plan undertaken throughout the year.

A total of 8 meetings were held. Refer Attachment 1 to this Report to review the Annual Report.

ATTACHMENTS

1. Audit and Risk Committee Annual Report 2023-2024 [5.3.1 - 7 pages]



AUDIT & RISK COMMITTEE ANNUAL REPORT

JULY 2023 - JUNE 2024

Established under the Local Government Act 1999 by Council to provide independent assurance and advice on accounting, financial management, internal controls, risk management and governance.

The Audit and Risk Committee reviewed and monitored numerous functions adding value to Council's strategic planning, annual financial statements, risk management and internal controls. Highlights for the year included the introduction of an internal audit program, policy review and governance, and review of asset management plans, long term financial plan and annual budget.

MEETING ATTENDANCE AND MEMBERSHIP

Seven ordinary meetings and one special meeting were held over the course of the 2023/2024 financial year. The special meeting was held on 11 September 2023 to review the infrastructure valuations and provide an update on the review of Council Policies. The Seven ordinary meetings were held across the year in July 2023, October 2023, November 2023, January 2024, February 2024, April 2024 and June 2024.

8 meetings	Mr P Duka (Presiding)	Mayor Martin (Ex-Officio)	Cr P Jenner	Mr A Brown	Ms B Johnson
attendances:	8/8	6/8	7/8	8/8	7/8

INFORMAL PRE MEETINGS & WORKSHOPS

Prior to each formal meeting of the Audit and Risk Committee Council Administration hold pre meeting briefings separately with the Presiding Member and Council Member at their request.

4
workshops held

- 30 October 2023 - Audit and Risk Committee Update and Budget Review 1**
- 27 November 2023 - Audit and Risk Committee Update, Cyber Security and LGRS Update**
- 26 February 2024 - Audit and Risk Committee Update**
- 8 April 2024 - Audit and Risk Committee Update**

SELF ASSESSMENT EVALUATION

Self assessment is completed annually by the Committee and covers 10 Broad areas for performance review. The last review was completed 27 November 2023.

Role & Terms of Reference

- Independence**
- Committee Skills/Training**
- Work Program**
- Council Structure & Decision Making**
- Meeting Operation & Frequency**
- Resources available to the Committee**
- Working Relationship with Council & Senior Management**
- Access to appropriate Council Information**
- Extent that the Committee's advice is contributing to effective operation of Council**

10/10
agreed all performance areas are being met

ANNUAL WORK PLAN

Audit & Risk Committee - Revised Work Program							
Month	January 29-Jan	February 26-Feb	April 8-Apr	June 3-Jun	July 29-Jul	October 28-Oct	November 25-Nov
Recommendations To Council Meeting Dates	February	March	April	June	August	November	December
Financial Reporting & Management:							
Review statutory financial statements							
Comparison of actual performance to budget as at year-end							
Review performance of investments and borrowings							
Audit & Risk Committee self-assessment and annual report							
Internal Controls and Risk Management Systems:							
Internal Financial Controls Self Assessment Update							
Strategic Risk Register							
Review of insurances							
Work Health Safety Update							
Internal Audit:							
Internal Audit - Quarterly Reports							
Progress on internal audits							
Annual review of Internal Audit Program							
Internal Audit - CEO Annual Report							
External Audit:							
Review annual audit plan							
Meeting with auditors to review audit findings							
Review audit management report and management's response							
Review any Mgt Representation Letter before they are signed by management.							
Review of Strategic Management and Business Plans:							
Review Asset Management Plans (Forward Works Program)							
Review Long Term Financial Plan							
Review Annual Business Plan							
Budget Reviews (BR1 BR2, BR3) - Included in ABP and LTFP							
Policy Reviews:							
Asset Accounting Policy (Annual review)							
Half yearly report - Council Policy Update							
Any other policies as required							
Other:							
Review annual work program							
Review Terms of Reference							
Half Yearly Report - Leases and Licences Update							



COMMITTEE DECISION MAKING

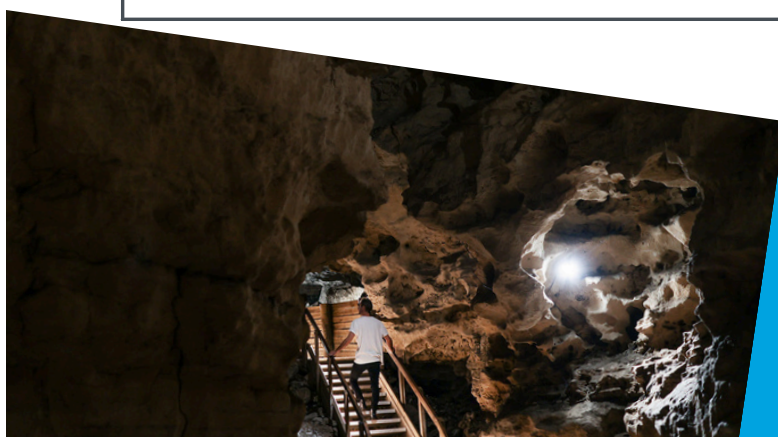
Report	Work Program Category
31/07/2023 Work Health Safety and Wellbeing Management	Internal Controls and Risk Management Systems
31/07/2023 Risk Management Report June 2023	Internal Controls and Risk Management Systems
31/07/2023 Review of Council Policies - Update	Policy Reviews
31/07/2023 Confidential Item	Internal Controls and Risk Management Systems
11/09/2023 Review of Council Policies - Update	Policy Reviews
11/09/2023 Infrastructure Valuation	Financial Reporting and Management
30/10/2023 Draft 2022/2023 Financial Statements	Financial Reporting and Management
30/10/2023 Comparison of Actual to Budget for the year ending 30 June 2023	Financial Reporting and Management
27/11/2023 External Audit Management Report	External Audit
27/11/2023 Review of Council Policies and Leases/Licences - Update	Policy Reviews / Other



Report	Work Program Reference
27/11/2023 Policy Review - F225 Fraud, Corruption, Misconduct and Maladministration Prevention Policy and Internal Audit Policy	Policy Reviews
27/11/2023 Policy Review - Procurement and Disposal of Land and Assets Policies	Policy Reviews
27/11/2023 Council Investments and Borrowings	Financial Reporting and Management
27/11/2023 Self-assessment of Performance Audit and Risk Committee	Financial Reporting and Management
27/11/2023 Audit and Risk Committee Work Program & Meeting Schedule 2024	Other
27/11/2023 Internal Audit Program	Internal Audit
27/11/2023 Risk Management Report September 2023	Internal Controls and Risk Management Systems
27/11/2023 Work Health Safety and Wellbeing Management	Internal Controls and Risk Management Systems
27/11/2023 Audit and Risk Committee Meeting Report 27/11/23	Other
29/01/2024 Correspondence Received	Other



Report	Work Program Reference
29/01/2024 Quarterly Internal Audit Update Report	Internal Audit
29/01/2024 Unaudited Buildings and Structures Valuation - As at 1 July 2023	Financial Reporting and Management
29/01/2024 Audit and Risk Committee Meeting Report 29/01/24	Other
26/02/2024 Planning, Development and Infrastructure Act 2016 Post Implementation Internal Audit	Internal Audit
26/02/2024 Payroll and Remuneration Internal Audit	Internal Audit
26/02/2024 External Audit Management Report	External Audit
26/02/2024 Risk Management Report October - December 2023	Internal Controls and Risk Management Systems
26/02/2024 Work Health Safety (WHS) and Wellbeing Quarterly Report - October - December 2023	Internal Controls and Risk Management Systems
26/02/2024 Presiding Member Nomination	Other
26/02/2024 Audit and Risk Committee Meeting Report 26/02/24	Other



Report	Work Program Reference
8/04/2024 Lease and Licence Update	Other
8/04/2024 Council Policy Update	Policy Reviews
8/04/2024 Financing Arrangements	Financial Reporting and Management
8/04/2024 Review of Audit and Risk Committee Terms of Reference	Other
8/04/2024 Audit and Risk Committee Meeting Report 26/02/24	Other
3/06/2024 2024/2025 Draft Annual Business Plan and Budget	Review of Strategic Management and Business Plans
3/06/2024 Draft Long Term Financial Plan 2025-2034	Review of Strategic Management and Business Plans
3/06/2024 Draft Asset Management Plans (AMPs) 2025-2034	Review of Strategic Management and Business Plans
3/06/2024 Unaudited Infrastructure Valuation as at 1 July 2023	Financial Reporting and Management
3/06/2024 Policy Review - Asset Accounting	Policy Reviews



Report	Work Program Reference
3/06/2024 Policy Review - Risk Management	Policy Reviews
3/06/2024 Risk Management Report January - March 2024	Internal Controls and Risk Management Systems
3/06/2024 Work Health Safety (WHS) and Wellbeing Quarterly Report - January - March 2024	Internal Controls and Risk Management Systems
3/06/2024 Quarterly Internal Audit Update Report	Internal Audit
3/06/2024 Draft Revised Internal Audit Program	Internal Audit
3/06/2024 External Audit Management Report	External Audit
3/06/2024 Review of 2024 Audit and Risk Program	Other
3/06/2024 Audit and Risk Committee Meeting Report	Other



5.4 AUDIT AND RISK COMMITTEE SELF-ASSESSMENT REVIEW 2023/2024

Author: Kahli Rolton, Manager Financial Services
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services
Sarah Philpott, Chief Executive Officer

RECOMMENDATION

1. That Council report titled 'Audit and Risk Committee Self-Assessment Review 2023/2024' as presented on Monday 28 October 2024 be noted.

PURPOSE

The purpose of this report is to table the Audit and Risk Committee's (the Committee) self assessment review for 2023/2024 financial year.

TERMS OF REFERENCE

14.2 Self Assessment Reports - The Committee will at least once a year, review its own performance and provide a Self Assessment Report to the CEO for tabling at the next Council meeting.

RELEVANT LEGISLATION

Local Government Act 1999—30.11.2023

Section 126 (4) The functions of a council audit and risk committee include

- a. reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
- b. proposing, and providing information relevant to, a review of the councils' strategic management plans or annual business plans; and
- c. monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor; and
- d. proposing, and reviewing, the exercise of powers under section 130A; and
- e. liaising with the councils' auditors in accordance with any requirements prescribed by the regulations; and
- f. reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
- g. (i) in relation to a council that has an internal audit function—
 - (A) providing oversight of planning and scoping of the internal audit work plan; and
 - (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or(ii) in relation to a council that does not have an internal audit function, reviewing and commenting on an annual report provided by the chief executive officer in relation to the policies and processes adopted by the council to evaluate and improve the effectiveness of its internal control practices and procedures; and
- h. reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and
- i. reviewing any report obtained by a council under section 48(1); and
- j. performing any other function determined by the council or prescribed by the regulations.

Section 126 (5)

There must be at least 1 meeting of a regional audit and risk committee in each quarter.

SUMMARY OF IMPLICATIONS AND BENEFITS

Implications

- The Committee would not be compliant with its Terms of Reference or the Local Government Act if a self assessment was not completed and review of the self-assessment did not consider legislative requirements.
- No areas for significant improvement have been identified.

Benefits

- The Committee reviewed its operations and agreed that all 10 performance areas were met for the 2023/2024 financial year. These performance areas are detailed at Table 1 of this Report.
- The Committee provided independent assurance and advice to the Council on a wide range of strategic, financial, governance and risk matters, adding value to the operations of Council.
- The Committee is made up of suitably qualified and/or experienced members.

DETAILED INCLUSIONS

Table 1: Full details of the self assessment review for 2023/2024.

AREA	COMMENT
Role & Terms of Reference	The Audit and Risk Committee is of the view that functions and extent of authority as defined under S126 Local Government Act are adequately defined in the <i>Terms of Reference</i> established by Council. The last review of the Terms of Reference was performed on 8 April 2024.
	The Audit and Risk Committee is of the view that its role and function includes the monitoring of financial reporting and management, internal controls and risk management systems, the effectiveness of internal audit functions and the external audit arrangements.
Independence	Independent Opinions/Views - The Audit and Risk Committee is of the view that it is able to form opinions and express views independently without perceiving a conflict of interest based on their current position within or outside Council.
	Council Staff Attendance - The Audit and Risk Committee believes that the invited attendance of the CEO, a General Managers, the Manager Financial Services, or other Council staff at times, provides direction without influence. Continued attendance is desirable.
Committee Skills/Training	Selection - The Audit and Risk Committee is of the view that its members have been selected due to their qualifications and expertise and their combined qualifications and experience allow it to perform its role appropriately.
	Skills/Experience - Members’ backgrounds include a combination of accounting, risk management, internal control and/or external audit experience and exposure. Members have access to relevant and ongoing professional development.
Work Program	<p>2024 Program - The Audit and Risk Committee’s work program for 2024 met its areas of focus and the Audit and Risk Committee recognises that its work program can be updated based on changing expectations and/or to address topical issues and emerging trends.</p> <ul style="list-style-type: none"> • Annual Report – A snapshot of the breadth of work undertaken is available in the Annual Report and includes:

AREA	COMMENT
	<ul style="list-style-type: none"> ○ a summary of workshops, meeting and attendances during 2024 ○ a copy of the annual work plan (latest version) ○ a summary of reports presented at meetings during 2024
Council Structure and Decision Making	Council - The Audit and Risk Committee are aware of the processes of Council, Council’s organisational structure and decision-making processes.
	Documentation - Audit and Risk Committee members are provided with copies of financial statements, policies and reports of Council if and when relevant. In the 2024/2025 Financial Year Council staff will continue to present and discuss relevant financial processes to promote transparency and understanding.
Meeting Operation and Frequency	Frequency - 8 Audit and Risk Committee meetings were held in 2023/24 with 7 ordinary meetings and 1 special meeting which has exceeded the Terms of Reference requirement to meet at a minimum of four times a year. Local Government Act 1999 Section 126 (5) (from 30 November 2023) - There must be at least 1 meeting of a council audit and risk committee in each quarter.
Resources available to the Audit and Risk Committee	Staff Resources - The Audit and Risk Committee utilises the resources of Council through the attendance of the external audit service provider, the CEO, the General Manager Corporate and Regulatory Services, the Manager Financial Services and other employees as requested.
	External Auditors - The Audit and Risk Committee has liaised with external auditors and Council employees as required in order to meet its role and terms of reference. The Audit and Risk Committee has met with the auditor once during the last financial year (noting that they did not think it necessary to attend further to the interim audit).
Audit and Risk Committee’s working relationship with Council and the senior management team	Role & Function - Council appears to be aware of role and function of Audit and Risk Committee. Presence of CEO, the Manager Financial Services and the General Manager Corporate and Regulatory Services assists the Audit and Risk Committee in decision achievement.
	Support - No issues of conflict have arisen. The Audit and Risk Committee recognises the significant role played by Council employees to address and advise the Committee.
The Audit and Risk Committee’s access to appropriate Council information	Oversight - The Audit and Risk Committee notes its oversighting role regarding financial and risk management within Council. Although it has no operational responsibility it has access to necessary information to perform its review role around the policies, procedures and compliance related to policies and procedures guiding decisions with major financial or risk implications.
	Works Program - The Audit and Risk Committee is able to contribute to the Annual Works Program incorporating any subjects it determines to be either topical or of consistent interest to the committee.
The extent to which the Audit and Risk	Terms of Reference - The Audit and Risk Committee recognises that its role and terms of reference are a

AREA	COMMENT
Committee’s advice is contributing to the effective operation of the Council	requirement of the Local Government Act. Members are cognisant of their requirements, roles and responsibilities.
	Function and Role - The Audit and Risk Committee holds the view that its function and role will be increasingly viewed as complimentary to Council in its activities for ratepayers.
	Policies – Numerous Council policies were reviewed including: <ul style="list-style-type: none"> • Leases/Licences • Fraud, Corruption, Misconduct and Maladministration Prevention • Internal Audit • Procurement and Disposal of Land and Assets • Asset Accounting • Risk Management
	Internal Audit – Internal Audit Program was introduced in 2023/2024 and the Audit and Risk Committee received formal presentations on: <ul style="list-style-type: none"> • Planning, Development and Infrastructure Act 2016 Post Implementation • Payroll and Remuneration

DETAILED IMPLICATIONS

Financial and Budget	<p>Provision was made in the annual budget for 2023/2024 and 2024/2025 to include \$20,000 for internal audit services to continue with the internal audit work plan.</p> <p>Per Terms of Reference of the Audit and Risk Committee item 1.3, the Committee’s functions include review of Council’s strategic management plans or annual business plan. The Annual Report shows that the Committee has complied with its terms of reference in June 2024 having reviewed:</p> <ul style="list-style-type: none"> • Annual Business Plan and Budget • Long Term Financial Plan (LTFP) • Asset Management Plans
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RISK ANALYSIS

Consequence	Consequence Rating:	Risk Likelihood Rating:	Risk Rating	Risk Controls and effectiveness	Risk Mitigation Plan
Finance	Insignificant (1)	Unlikely (2)	Low	Adequate resourcing allowed to enable delivery of various functions	Reasonable funds available in the annual budget and LTFP. Consider in alignment with work plan.
Reputation	Insignificant (1)	Unlikely (2)	Low	That the self assessment review is accurate,	Maintain in the annual work plan. Table any

				relevant and complete.	improvements that arise.
Legal / Regulatory / Policy	Insignificant (1)	Rare (1)	Low	All requirements under the Local Government Act are met.	Review legislative requirements annually in line with work plan.

RELEVANT COUNCIL POLICY

N/A

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Engagement has already occurred with members of the Audit and Risk Committee in relation to this self assessment.

CONCLUSION

The recommendation to Council is that the Audit and Risk Committee’s Self Assessment Review for 2023/2024 financial year is adopted. The review is detailed at Table 1 of this report and agrees that all 10 performance areas were met.

ATTACHMENTS

Nil

5.5 AUDIT AND RISK COMMITTEE MEETING REPORT

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

RECOMMENDATION

1. That Council report titled 'Audit and Risk Committee Meeting Report' as presented on Monday 28 October 2024 be noted.

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 August and October Meetings:

1. Confidential Workshop – A workshop for both Audit and Risk Committee Members and Elected Members was held on 14 August 2024 regarding progress on Caroline Landfill financial modelling and accounting improvements prior to finalisation of end of financial year statements and reports.
2. Council Member Briefing - A meeting was held between the Council Member Audit and Risk Committee representative, the General Manager Corporate and Regulatory Services, Manager Financial Services to provide a briefing on the reports included in the agenda prior to the meeting.
3. 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.
4. Memorandum to Committee 2 October 2024 - 2023/2024 Self Assessment and Annual Report. **Self Assessment:** Committee members to provide feedback prior to the October Audit and Risk Meeting regarding self assessment against their Terms of Reference. Feedback received from Mayor Martin.
Annual Report: Committee Members to review the draft Audit and Risk Committee Annual Report prior to the October Audit and Risk Committee meeting in its new format. Feedback received from Presiding Member P Duka and Member B Johnson.
5. Email to Committee Chair 4 October 2024 – follow up request to complete Fraud Questionnaire for those charged with Governance. Completed and signed response received 14 October 2024.

6. Email to Committee 21 October 2024 - Draft Financial Statements for the year ended 30 June 2024 and Audit Completion report provided in advance of agenda to allow additional time to read and review.

Outcomes of the Meeting:

The outcomes of this meeting will be summarised in the minutes to be adopted by 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