

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

Date: Monday, 28 February 2022
Time: 5.30 p.m.
Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier

AGENDA

Audit and Risk Committee Meeting **28 February 2022**



Sarah Philpott
Chief Executive Officer
23 February 2022

Order Of Business

1	Acknowledgement of Country	3
2	Apology(ies)	3
3	Confirmation of Minutes	3
4	Questions without Notice	3
5	Reports	4
5.1	Correspondence Received – Report No. AR21/74812	4
5.2	External Audit Management Report – Report No. AR21/69921	7
5.3	Audit and Risk Committee Work Program & Meeting Schedule 2022 – Report No. AR21/85164.....	26
5.4	Presiding Member Nomination – Report No. AR22/12567.....	30
6	Meeting Close	33
	Attachments Item 3 Audit and Risk Committee Meeting - 8 November 2021	34



1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

[Audit and Risk Committee Meeting - 8 November 2021](#)

RECOMMENDATION

That the minutes of the Audit and Risk Committee meeting held on 8 November 2021 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 CORRESPONDENCE RECEIVED – REPORT NO. AR21/74812

Meeting: Audit and Risk Committee
CM9 Reference: AF11/863
Author: Ashlee Lavia, Executive Administrator Corporate and Regulatory Services
Authoriser: Darren Barber, General Manager Corporate and Regulatory Services

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR21/74812 titled 'Correspondence Received' as presented on 28 February 2022 be noted.



BACKGROUND

The report provides details of correspondence received since the previous meeting of the Audit Committee held 8 November 2021 and is provided for information.

DISCUSSION

The following correspondence has been received since the last meeting dated 8 November 2021:

- Resignation from Audit Committee - Angela Kain received on 4 November 2021

CONCLUSION

This report presents correspondence received for presentation to the Audit Committee for noting.

ATTACHMENTS

1. Resignation from Audit Committee - Angela Kain [↓](#)



Hi Darren,

After significant consideration I would like to tender my resignation from the City of Mount Gambier Audit Committee.

I have thoroughly valued my several years as a member of the committee, but due to my current work schedule I feel I cannot contribute the time required.

Your recent work reshaping the committee is a great step forward and will be very beneficial for future members.

Unfortunately I will not be able to attend the next up and coming meeting.

Regards

Angela Kain



5.2 EXTERNAL AUDIT MANAGEMENT REPORT – REPORT NO. AR21/69921

Committee:	Audit and Risk Committee
Meeting Date:	28 February 2022
Report No.:	AR21/69921
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Darren Barber, General Manager Corporate and Regulatory Services
Summary:	To inform the Audit and Risk Committee of the following: - The external audit plan for the Financial Year 2022; and - Progress against Council’s External Auditor’s recommendations for the 2020/21 year.
Strategic Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR21/69921 titled ‘External Audit Management Report’ as presented on 28 February 2022 be noted.
2. The Audit and Risk Committee recommends to Council that:
 - (a) A report be provided to the Audit and Risk Committee at least on a quarterly basis throughout the financial year to provide an update on the progress against the recommendations raised by the External Auditors.



TYPE OF REPORT

Corporate

BACKGROUND

1. **External Auditor Recommendations** - Council's external auditor, Galpins Accountants Auditors and Business Consultants, were appointed as Council's external auditor in 2016 and undertook interim and balance date audits over the following 5 years. Recommendations for improvement were put forward by Galpins with follow up actions agreed with Council.
2. **Appointment of External Auditors** - Dean and Newbery and Partners were appointed as Council's external Auditors for a period of 5 years commencing with the audit of the financial year ending 30 June 2022.
3. **Audit and Risk Committee Terms of Reference** - The following sections of the Audit and Risk Committee Terms of Reference are relevant to this report:
 - 12.5.5 **Annual Audit Plan** - Review and make recommendations on the annual audit plan, and in particular its consistency with the scope of the external audit engagement.
 - 12.5.9 **Management Letter** - Review the management letter and management's response to the external auditor's findings and recommendations. Subsequent to the initial review the Committee will oversee action to follow up on matters raised by the external auditors.

PROPOSAL

1. **Action Plan** - As per Attachment 1 Council staff have prepared and are continuing to implement an action plan to address the items identified in 2020/21 Internal Controls letter.
2. **Audit Plan** - The attached audit plan is aligned with the scope of the external audit engagement as shown below (Attachments 2 and 3):

Scope of the Audit:

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

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

Key Milestones:

- **Audit Plan to Audit and Risk Committee** - February 2022.
 - **Offsite Testing** - March 2022.
 - **Interim Audit Attendance** - April 2022.
 - **Interim Audit Report to Audit and Risk Committee** - May 2022.
 - **Balance Date Audit** - August/September 2022.
 - **Audit and Risk Committee Review** - September 2022
 - **Council Adoption** - October 2022.
3. **2020/21 Financial Year** - As shown in Attachment 1 of this report of the five activities highlighted, one has been completed, two are partially completed and two are yet to implemented pending a Business Systems review.



LEGAL IMPLICATIONS

N/A

STRATEGIC PLAN

N/A

COUNCIL POLICY

[A900 Asset Management Policy](#)

[B300 Budget Framework](#)

[R105 Rating Policy](#)

[T150 Treasury Management Policy](#)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

N/A

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

N/A

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

N/A

CONCLUSION AND RECOMMENDATION

The external audit management report indicates that overall Council has effective controls in place, with opportunity for improvements noted and action plans established to achieve best practice.

ATTACHMENTS

1. Attachment 1 - External Audit Actions Status [↓](#)
2. Attachment 2 - Audit Plan [↓](#)
3. Attachment 3 - Scope of External Audit Engagement [↓](#)



External Audit Management Report and Recommendations Register

Auditor Recommendation or Comment	Risk	Progress	Target Date	Status	Officer	Completion Date
2020/21 Internal Controls Letter:						
		Executive reporting developed and presented.	31-Dec	F	JS	31-Dec
Purchase Orders raised after invoices are received.	M	Draft procurement policy reviewed with Executive, contact made with key staff members, transaction types reviewed and recommendations made to improve processes.	31-Mar	P	JS	
No formal maintenance plans supporting general maintenance strategies per the Asset Management Plan	L	Asset maintenance programs are being developed as part of the 2022/23 budget process.	31-Mar	P	BC	
Accounts Payable - Improvements required in process for uploading supplier EFT files into online banking system.	M	A business systems review is scheduled. Any direct interface would need to be considered following the completion of the review. As shown in the original response, audit checks are already in place that would identify any changes.	Jun-23	N	JS	
Payroll - Improvements required in process for uploading supplier EFT files into online banking system.	M	A business systems review is scheduled. Any direct interface would need to be considered following the completion of the review. As shown in the original response, audit checks are already in place that would identify any changes.	Jun-23	N	JS	

RISK:
 H - High
 M - Moderate
 L - Low

STATUS:
 F - Fully
 P - Partially
 N - Not Implemented





City of Mount Gambier – External Audit Plan

30 June 2022

DeanNewbery



Contents

	Page
Foreword	3
Key Contacts & Information	4
Introduction	5
Audit Strategy	6
Materiality	7
Internal Controls	7
Fraud	7
Key Areas of Audit Focus	8
Audit Timetable	9
Communication Strategy	10
External Confirmations	10
Independence	10



Foreword

18 February 2022

Cr Sonya Mezinac
Presiding Member - Audit Committee
City of Mount Gambier
PO Box 56
MOUNT GAMBIER SA 5290

Dear Cr Mezinac

We thank you for the opportunity to present to you our Audit Plan for the City of Mount Gambier (the Council) for the financial year ending 30 June 2022.

Our audit plan is subject to continual review and update as new information and matters arise during the course of the audit. This document is intended for the Council's Audit Committee and Administration only.

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

Our Audit Plan is tailored specifically to the Council and places a high emphasis on communicating all audit matters and findings to you and the Council on a timely basis.

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

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

Yours sincerely
DEAN NEWBERY



Samantha Creten
Partner



Key Contacts & Information

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

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

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



Samantha Creten
Lead Audit Partner

P. 8267 4777
E. sam@deannewbery.com.au



Kyle Harrison
Engagement Manager

P. 8267 4777
E. kyleharrison@deannewbery.com.au



John Jovicevic
Audit Partner

P. 8267 4777
E. john@deannewbery.com.au



Introduction

Purpose of this Document

This documents provides an overview of the planned scope and timing of the audit of the financial statements for the City of Mount Gambier (**the Council**) for the financial year ending 30 June 2022.

Audit Objectives

The objective of the audit process is to undertake the necessary work that will enable us to form an opinion per Section 129 of the *Local Government Act 1999* as to whether:

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

The financial statements are to be prepared in accordance with the requirement of the *Model Financial Statements* as required by the *Local Government (Financial Management) Regulations 2011*. All audit procedures have been designed to be carried out by our audit staff to provide us with reasonable assurance that the financial report, as a whole, is free from material misstatement.

The scope of the audit extends only to the Council and not to any Subsidiary entities which are required to obtain their own independent external audit in accordance with the Act.

Scope of the Audit

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

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



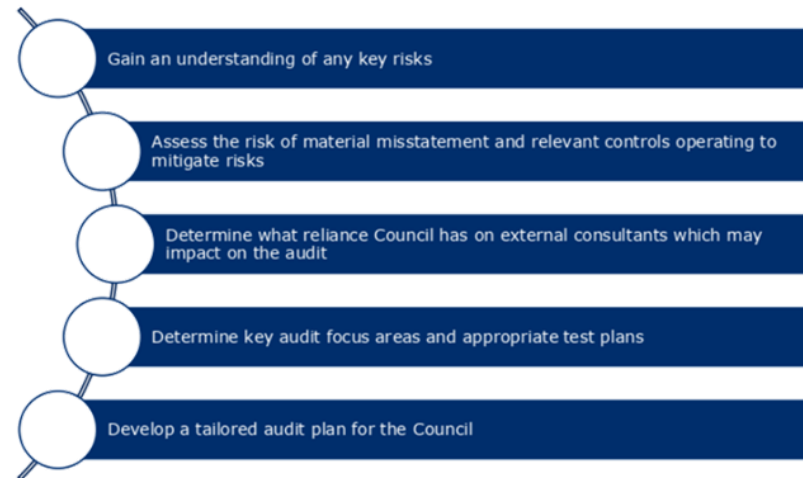
Audit Strategy

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

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



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



Materiality

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

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

Internal Controls

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

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

The objective of the test of controls is to achieve the following key objectives:

- To obtain evidence as to whether controls operated as intended throughout the period
- Assess internal controls based on the criteria set in the *Better Practice Model – Financial Internal Controls* relevant for Councils in South Australia

Should we become aware of any significant deficiencies or consider there to be areas where controls could be further strengthened/improved, we will communicate these matters to the Audit Committee and Management. Completion of the above work will enable us to express an audit opinion of the Council's internal controls are required by Section 129(b) of the *Local Government Act 1999*.

Fraud

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

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



Key Areas of Audit Focus

Based on our existing knowledge of the Council and the Local Government sector, we have identified the matters we think present the risk to potential material misstatements in the financial report. Our audit procedures are designed to focus our testing and review of controls on these assessed risk areas.

Throughout the engagement, we will continue to monitor and assess our risk assessment to ensure that we factor in any additional testing necessary to consider additional risk areas deemed required to be included in our audit testing.

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

Audit Matter	Audit Approach
Delegation of Authority	Review controls and processes relating to amending changes in authority levels for procurement and EFT payment releases.
Management override of Controls	This is a risk that is a required presumption under the Australian Auditing Standards. Our procedures will involve a review of internal controls and test for any unusual transactions within our samples to determine if any transactions do not appear to be within normal business parameters.
Capital Works in Progress (WIP)	Perform sample substantive testing of WIP transactions to ensure correct treatment and classification and ageing of WIP transactions. Conduct sample transactions testing to test for correct recording and classification between capital and operating expenses.
ICT Controls	Review controls surrounding system access changes, changes in permission levels, disaster recovery and back-up procedures, data security and remote access.
Internal Control Review Assessments	Enquire with Management of the framework and program in place to undertake regular review and assessment of Council's internal controls.
Financial Policies	Key policies and registers are maintained and required policies have been reviewed within required timeframes.
Accounting for Grants	Ensure that grants income is correctly treated in accordance with AASB 1058 and the Model Financial Statements.
Procurement	Review of internal controls around Council's procurement of goods and services. Substantive testing approach to test that procured goods and services have been conducted in accordance with policies and procedures and in line with adopted budget.
Asset Valuations	Review assumptions and key estimates applied to asset valuations and depreciation expense calculations to ensure they are relevant and reliable for financial reporting purposes in accordance with the applicable Accounting Standards.
Waste Management	Review the key assumptions and methodology applied for landfill amortisation and remediation provisions to ensure conformance with applicable Accounting Standards.



Audit Timetable

Our audit timetable has been formulated based on information obtained from Management along with our existing knowledge of the level of work required to be undertaken to form the audit opinions required by the *Local Government Act 1999*.

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

Key Audit Milestones	Timeframe
Submission of Audit Plan to Council's Audit Committee	February 2022
Commencement of Interim Audit (Off-Site Testing)	March 2022
Interim Audit (On-Site Attendance)	April 2022
Interim Management Report issued to Council's Audit Committee	May 2022
Balance Date Audit requirements checklist to be provided to Council	June 2022
Balance Date Audit requirements to be provided to auditors – <i>including all completed valuations and financial statements of Subsidiary entities</i>	August 2022
Draft financial statements to be provided to auditors	September 2022
Balance Date audit attendance to commence	August/September 2022
Exit Meeting with Council Management	September 2022
Meet with Council's Audit Committee	September 2022
Audit Report and Independence Declarations to be issued by auditors	October 2022



Communication Strategy

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

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

External Confirmations

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

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

Independence

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

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

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

Should any situation arise where we become aware that an issue over our independence, we will communicate this immediately to Council's Chief Executive Office and Audit Committee.

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



Disclaimer:

This document is for the exclusive use of the person/organisation named on the front of this document. This document must not be relied upon by any person/organisation who is not the Recipient. Dean Newbery does not take responsibility for any loss, damage or injury caused by use, misuse or misinterpretation of the information in this document by any person who is not the Recipient.

The contents of this document are confidential and may not be reproduced in whole or in part without the permission.

Dean Newbery

ABN 30 164 612 890

Liability limited by a scheme approved under Professional Standards Legislation

DeanNewbery



Annexure A Services

1. Scope of the Audit

The auditor is to:

- 1.1 Carry out such work as is necessary to form opinions as to whether:
 - (a) the accounts are properly kept and the annual financial statements:
 - (i) are prepared in accordance with the financial records; and
 - (ii) represent fairly the results of the operations and cash flows for the financial year and the financial position of the Council at 30 June in accordance with the Australian Accounting Standards, the Local Government Act 1999 (as amended) and other mandatory professional reporting requirements.
 - (b) the controls exercised by the Council during the relevant financial year in relation to the receipt, expenditure and investment of money, the acquisition and disposal of property and the incurring of liabilities are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.
- 1.2 Include in his or her audit report any matters identified during the normal audit procedures such as:
 - (a) any significant adverse trends in the financial position or the financial management practices of the Council;
 - (b) any material irregularities in the Council's accounting practices or in the management of the Council's financial affairs identified during the course of the audit;
 - (c) any weaknesses in the Council's internal financial controls;
 - (d) any factors impacting on the adequacy of the depreciation charge for the year. This is after due consideration of an assessment of the depreciation methodology principles adopted by Council and the consistency of the accounting principles applied.
- a. Perform additional audit work for multiple smaller acquittals, including:
 - (a) Grant acquittals (at various times)
 - (b) Junior Sports Assistance Fund Annual Financial Report (September)
 - (c) Annual Roads to Recovery Return (30 October)
 - (d) The Local Government Workers Compensation Scheme Audit Certificate (September)
- b. Provide value adding to Council's operations by providing advice, either informally through its working with Council staff and/or formally as part of reporting this to Council as part of its documented communications, on processes, procedures, risks and controls and any other relevant areas of business where this advice will assist Council in improving its overall effectiveness and efficiency in these areas.



2. Audit Methodology and Approach

- 2.1 The auditor is required to comply with the requirements of the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011.
- 2.2 An audit is to be carried out in accordance with the Auditing Standards and Auditing Guidance Statements published (and amended from time to time) by the Auditing and Assurance Standards Board established under the Australian Securities and Investments Commission Act 2001 of the Commonwealth.
- 2.3 The auditor shall not be engaged by the Council to undertake any financial and accounting work that results in financial information that will be the subject of the annual audit.
- 2.4 The auditor is to provide the Council with a general outline of his or her methodology. This may include the proposed analysis and review of internal financial controls and the extent to which these controls lead to reliance on the Council's administration and financial systems to produce accurate reports.
- 2.5 The auditor is to provide the Council with a plan for the audit including:
- timing of interim audit visits;
 - final audit visit (within 60 days of being advised that the accounts and annual financial report are available for audit);
 - a 'Prepared by Client' list of items required to be presented to the auditors by Council at the start of the (interim or final) audit work timely before the start of the audit work;
 - attendance of the Audit Committee;
 - the method of performing the audit, including likely remote or on-site audit work, expected staffing and staff experience; and
 - the method to be used to communicate with, and provide advice and information to, the Council.
- 2.6 The auditor is required to produce two opinions in compliance with section 129(3) of the Local Government Act 1999 and written advice on particular matters arising from the audit, in compliance with section 129(4).
- 2.7 Prior to handing over a final audit management letter (see Section 6 below) the auditor is to discuss the proposed contents of the letter with senior management and thereafter at a meeting of the Council's Audit Committee or the Council itself.

3. Critical Matters to be Audited

Council is of the view that the following matters are important to the proper maintenance and reporting of its financial statements. They are also important to the auditor's responsibility for providing the audit opinions and the written advice required by subsections 129(3) and (4) of the Local Government Act 1999. The auditor should include in his or her proposal the extent to which the matters outlined below will be examined in the course of forming his or her independent audit opinions of the annual financial reports and the internal financial controls of the City of Mount Gambier.

3.1 Governance and Control

- (a) Roles and Responsibilities



- (b) Delegated Authorities
 - (c) Council/Committee Minutes and Directions
 - (d) Strategic/Business/Risk Management and Planning
 - (e) Budget Management
 - (f) Internal Controls including ICT Security
- 3.2 Financial Accounting and Reporting**
- (a) Income
 - Rates revenue
 - Government grants
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income
 - (b) Expenses
 - Salaries and wages
 - Depreciation
 - Materials and contracts
 - Loss on sale or revaluation of non-current assets
 - Insurances
 - Bad debts
 - Other expenses
 - (c) Current Assets
 - Cash at bank and short term investments
 - Receivables and prepayments
 - Inventories
 - (d) Non-Current Assets
 - Property, plant, furniture and equipment
 - Infrastructure and accumulated depreciation thereon
 - Other receivables
 - (e) Liabilities (current and non-current)
 - Creditors and accruals
 - Borrowings
 - Provisions for employee entitlements
 - (f) Other
 - Statement of changes in equity



- Disclosure of contingent liabilities
- Disclosure of capital commitments
- Accounting policies and notes to the financial statements
- Statement of cash flows
- Financial Indicators¹⁶ as set out in the Model Financial Statements

4. Audit Management letter – reporting on the findings of an interim Audit and a final Audit

Without limiting the scope and application of ASA 260 – “Communication of Audit Matters with Those Charged With Governance” Council requires that the auditor shall promptly after the conclusion of both the interim audit or a final audit (in compliance with section 129(4) of the Local Government Act 1999) provide to the Principal Member of the Council, the Council's Audit Committee and the Chief Executive Officer a management letter outlining the audit findings in relation to the following matters where such matters are material:

- 4.1 Any significant adverse trends in the financial performance, financial position or financial management practices of the Council and any material irregularities in the Council's accounting practices or in the management of the Council's financial affairs identified during the course of the audit. Where management has taken steps to correct or improve the financial performance, financial position, financial management practices, accounting practices or management of the Council's financial affairs, the auditor must comment on the efficacy of the correction or improvement.
- 4.2 The extent to which the internal control environment has been assessed as set out in the audit plan and any material weaknesses in the control environment, based on the application of auditing standard ASA 315 (*Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*), other relevant auditing standards, and the LGA's *Better Practice Model –Internal Financial Controls*.¹⁷ Where weaknesses have been identified and management has proposed or adopted remedial action to rectify the weaknesses, the auditor must comment on the efficacy of the proposed or adopted course of action. Where weaknesses have not been addressed the auditor must make recommendations for addressing the weaknesses.
- 4.3 Whether the Council, through its Audit Committee, is regularly monitoring and assessing the adequacy and effectiveness of its risk management framework and activities.
- 4.4 Where the Council, Audit Committee or management have requested that a specific activity, function or operation of the Council be reviewed during an audit, the auditor must report on the scope of the review, its findings and any recommendations in relation to the activity, function or operation of the Council.
- 4.5 Where an Auditing Standard requires that the auditor must give consideration to the reporting of specific matters to those charged with governance, the auditor must comply with the Auditing Standard and report as necessary.
- 4.6 The auditor must report on the outcome of any remedial action taken by the Council as a result of previous reports. Specific attention must be drawn to situations where the remedial action is not adequate, including the failure to implement remedial action.



**5.3 AUDIT AND RISK COMMITTEE WORK PROGRAM & MEETING SCHEDULE 2022 –
REPORT NO. AR21/85164**

Committee:	Audit and Risk Committee
Meeting Date:	28 February 2022
Report No.:	AR21/85164
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Darren Barber, General Manager Corporate and Regulatory Services
Summary:	This report provides details of the proposed Audit and Risk Committee work program and meeting schedule.
Strategic Plan Reference:	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR21/85164 titled 'Audit and Risk Committee Work Program & Meeting Schedule 2022' as presented on 28 February 2022 be noted.
2. That the Audit and Risk Committee recommends to Council that the Audit and Risk Committee meet on the following dates in 2022 noting that the meeting dates are subject to change, including if an additional meeting is required:
 - (a) Monday 28 February 2022;
 - (b) Monday 28 March 2022;
 - (c) Monday 2 May 2022
 - (d) Monday 25 July 2022
 - (e) Monday 19 September 2022
 - (f) Monday 28 November 2022
3. That the Audit and Risk Committee recommends to Council that the draft work program for the Audit and Risk Committee for calendar year 2022 (attached) be adopted, noting the meeting dates and schedule are subject to change, including if an additional meeting is required.



TYPE OF REPORT

Corporate

BACKGROUND

1. **Terms of Reference** - The Audit and Risk Committee (ARC) Terms of Reference was adopted by Council in November 2021, the following sections of the terms of reference are relevant to this report:

- 9.1 **Number of Meetings** - *The Committee have an ordinary meeting at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.*
- 9.2 **Additional Meetings** - *Shall be convened at the discretion of the Chairperson or at the written request of a Committee member, the CEO or the internal or external auditors.*

The Committee:

13.1 **Annual Work Program** - *The Committee must adopt an annual work program.*

2. **Purpose of the Work Program** - The Audit and Risk Committee has a work program that enables responsibilities from the Terms of Reference to be scheduled across the various committee dates.

PROPOSAL

1. **Number of Meetings** - The meetings scheduled in this report ensure that there are a minimum of four meetings per financial year aligned with the Audit and Risk Committee Terms of Reference.
2. **Meetings Schedule** - The meetings for 2022 are scheduled to occur on a Monday, the timing of which accommodates the forwarding of ARC recommendations to the next Council meeting which is held on the third Tuesday of each calendar month, except for December:
 - Monday 28 February 2022;
 - Monday 28 March 2022;
 - Monday 2 May 2022
 - Monday 25 July 2022
 - Monday 19 September 2022
 - Monday 28 November 2022
3. **Changes to Schedule** - The meeting dates and schedule are subject to change, including if an additional meeting is required.
4. **Publication of Work Program** - The program will be published on the Audit and Risk Committee's page of Council's website.
5. **Internal Audit** - At this stage no specific reports have been defined or reports allocated to particular dates. The internal audit approach and work program are currently being established for the coming financial year.

LEGAL IMPLICATIONS

The Audit and Risk Committee is required under S126 of the Local Government Act 1999.

STRATEGIC PLAN

N/A



COUNCIL POLICY

N/A

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

Sitting fees are included in the annual budget.

Reports for the Audit and Risk Committee are incorporated into staff work plans.

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

There is a risk that some reports identified in the work program may be delay to a different meeting.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

CONCLUSION AND RECOMMENDATION

The Audit and Risk Committee draft Work Program 2022 is sufficiently detailed and flexible to enable the Committee to fulfill its Terms of Reference.

ATTACHMENTS

1. Attachment 1 - Draft Audit and Risk Committee Work Program [↓](#)



Audit & Risk Committee - Draft Work Program

Month	February	March	May	July	September	November
Audit & Risk Committee Dates	28/02/2022 15/03/2022	28/03/2022 15/03/2022	2/05/2022 17/05/2022	25/07/2021 16/08/2022	19/09/2022 18/10/2022	28/11/2022 13/12/2022
Financial Reporting & Management:						
Review statutory financial statements						
Comparison of actual performance to budget as at year-end						
Review performance of investments and borrowings						
External Audit Attendance Letter						
Audit & Risk Committee self-assessment and annual report						
Internal Controls and Risk Management Systems:						
Monitor effectiveness of Council's internal controls & risk mgt systems.						
Strategic Risk Register						
Review of insurances						
Local Government Act Reform						
Work Health Safety Update						
Internal Audit (TBC):						
Internal Audit - Oversight of program planning and scope.						
Progress on internal audits						
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 (BR0, BR1, BR2, BR3)						
Policy Reviews:						
Procurement & Disposal Of Land and Assets P420						
Asset Accounting Policy (New)						
Asset Management Policy A900						
Other:						
Review annual work plan						
Wulanda Update						



5.4 PRESIDING MEMBER NOMINATION – REPORT NO. AR22/12567

Committee:	Audit and Risk Committee
Meeting Date:	28 February 2022
Report No.:	AR22/12567
CM9 Reference:	AF11/863
Author:	Ashlee Lavia, Executive Administrator Corporate and Regulatory Services
Authoriser:	Darren Barber, General Manager Corporate and Regulatory Services
Summary:	This Report is presented to enable the nomination of a Chairperson / Presiding Member for the Audit and Risk Committee in accordance with the Terms of Reference adopted on 16 November 2021.
Strategic Plan Reference:	Goal 1: Our People Goal 2: Our Location Goal 3: Our Diverse Economy Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR22/12567 titled 'Presiding Member Nomination' as presented on 28 February 2022 be noted.
2. The term of office for the position of Audit and Risk Committee Presiding Member be 2 year(s).
3. That _____ be the Presiding Member of the Audit and Risk Committee on and from 15 March 2022 subject to endorsement by Council.



TYPE OF REPORT

Legislative

BACKGROUND

Council at its meeting on 16 November 2021, adopted the Audit and Risk Committee Terms of Reference.

In accordance with section 7 of the Audit and Risk Committee Terms of Reference the Chairperson / Presiding Member of the Committee must be an independent member appointed by Council:

7.2 Appointment - The Chairperson of the Committee must be appointed by Council resolution and be an independent member. The Chairperson will be appointed for two years.

7.3 Tenure - After serving two years, the Committee may choose to appoint the Chairperson for a further one year term or the Committee may choose to nominate another Chairperson from the independent membership for a one year term. The process will be dependent on the Committee seeking nominations from the current independent membership and providing a report for noting to the Council.

PROPOSAL

The selection of a Presiding Member is from amongst its own membership.

The following process is summarised from Council's *C410 Conduct of Meetings Policy*:

- *A nominee need not be present, but must accept nomination prior to consideration.*
- *Nominees should display the qualities sought to fill the position including relevant skills and experience.*
- *Where more than one nomination is received a secret ballot shall be conducted forthwith without debate. Resolutions will be passed to endorse the voting process and appoint the Chief Executive Officer (or any other Senior Officer present at the meeting) as Returning Officer to declare the result and draw lots (if/as necessary).*
- *The Mayor may vote but a Member not in their seat at the meeting does not vote.*
- *The candidate with the highest number of votes (or where two or more candidates receive the equal highest number of votes the first name drawn in the lot) shall be declared as being nominated/appointed to the vacant position.*
- *A division cannot be called on the question of appointing a person to fill a vacant position.*
- *A motion to endorse the filling of the vacant position may be accepted (but is not required) however any failure or variation of the motion shall be of no effect on the result of the secret ballot.*

Should the Committee have only one nomination for Presiding Member then that Member may be the nominee that the Committee recommends to Council for appointment as Presiding Member.

LEGAL IMPLICATIONS

N/A



STRATEGIC PLAN

N/A

COUNCIL POLICY

[Council Policy C410 - Conduct of Meetings \(s92 Code of Practice\)](#)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

N/A

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

N/A

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

N/A

CONCLUSION AND RECOMMENDATION

The Committee may now accept nominations and endorse and conduct a ballot process - if necessary, to determine a Presiding Member recommendation.

ATTACHMENTS

Nil



6 MEETING CLOSE



**MINUTES OF CITY OF MOUNT GAMBIER
AUDIT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT
GAMBIER
ON MONDAY, 8 NOVEMBER 2021 AT 5.30 P.M.**

PRESENT: Cr Sonya Meziniec, Mr Paul Duka

IN ATTENDANCE: Tim Muhlhausler, Galpins

OFFICERS IN ATTENDANCE:	Chief Executive Officer	- Mrs S Philpott
	General Manager City Infrastructure	- Ms B Cernovskis
	General Manager Shared Services	- Mr D Barber
	Manager Finance	- Mrs J Scoggins
	Manager Organisational Development	- Ms R Datta
	Executive Administrator Community Wellbeing	- Ms A Lavia

1 ACKNOWLEDGEMENT OF COUNTRY

WE ACKNOWLEDGE THE BOANDIK PEOPLES AS THE TRADITIONAL CUSTODIANS OF THE LAND WHERE WE MEET TODAY. WE RESPECT THEIR SPIRITUAL RELATIONSHIP WITH THE LAND AND RECOGNISE THE DEEP FEELINGS OF ATTACHMENT OUR INDIGENOUS PEOPLES HAVE WITH THIS LAND.

2 APOLOGY(IES)

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec

Seconded: Paul Duka

That the apology(ies) from Mayor Lynette Martin be received.

CARRIED

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec

Seconded: Paul Duka

That the minutes of the Audit Committee meeting held on 20 September 2021 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil



5 REPORTS

5.1 CORRESPONDENCE RECEIVED

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Cr Sonya Mezinec

1. That Audit Committee Report No. AR21/71204 titled 'Correspondence Received' as presented on 08 November 2021 be noted.

CARRIED

The Presiding Member sought the approval of at least two-thirds of the members present at the meeting to suspend meeting procedures:

Purpose of the Suspension: To discuss the self-assessment of performance for the Audit Committee
Carried by more than two-thirds of the members present at the meeting.

Meeting Procedures were suspended at 5:45 pm.

The Presiding Member determined that the period of suspension should be brought to an end;
Carried by more than two-thirds of the members present at the meeting.

The Period of Suspension came to an end and Meeting Procedures resumed at 5:52 pm.

5.2 SELF-ASSESSMENT OF PERFORMANCE AUDIT COMMITTEE

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec
Seconded: Paul Duka

1. That Audit Committee Report No. AR21/62432 titled 'Self-assessment of Performance Audit Committee' as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Authorise the General Manager Shared Services in liaison with the Presiding Member to make any minor amendments to the attached draft Audit Committee Self-Assessment Annual Report 2020/2021 that the Committee identifies and to then finalise the document; and
 - (b) Recommend to Council that the Audit Committee's Self-Assessment Report for 2020/21 be adopted.

CARRIED



5.3 POLICY REVIEW - B300 BUDGET FRAMEWORK

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Cr Sonya Meziniec

1. That Audit Committee Report No. AR21/62434 titled 'Policy Review - B300 Budget Framework' as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Determine if it wishes to make any adjustments to the draft revised policy.
 - (b) Recommend to Council that Council adopts the proposed revised B300 Budget Framework Policy.

CARRIED

5.4 POLICY REVIEW - T150 - TREASURY MANAGEMENT

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec
Seconded: Paul Duka

1. That Audit Committee Report No. AR21/62435 titled 'Policy Review - T150 - Treasury Management' as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Determine if it wishes to make any adjustments to Council with regard to the updated policy.
 - (b) Recommend to Council that Council adopts the updated Treasury Management Policy as presented.

CARRIED

5.5 COUNCIL INVESTMENTS & BORROWINGS

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Cr Sonya Meziniec

1. That Audit Committee Report No. AR21/71874 titled 'Council Investments & Borrowings' as presented on 08 November 2021 be noted.

CARRIED

5.6 REVIEW OF DRAFT AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

COMMITTEE RESOLUTION



Moved: Paul Duka

Seconded: Cr Sonya Meziniec

1. That Audit Committee Report No. AR21/67856 titled 'Review of Draft Audit and Risk Committee Terms of Reference' as presented on 08 November 2021 be noted.
2. That the Audit Committee:
 - (a) Authorises the General Manager Shared Services in liaison with the Presiding Member to make any minor amendments to the draft Audit and Risk Committee Terms of Reference that the Committee identifies and to then finalise the document; and
 - (b) Recommend to Council that the draft Audit and Risk Committee Terms of Reference be adopted.

CARRIED

6 MOTIONS WITHOUT NOTICE

Nil



7 CONFIDENTIAL ITEMS

6.1 CITY OF MOUNT GAMBIER - IT ENTITY CONTROLS REVIEW 2020/21 – REPORT NO. AR21/71285

COMMITTEE RESOLUTION

Moved: Cr Sonya Mezinec
Seconded: Paul Duka

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit Committee orders that all members of the public, except Councillor S Mezinec, Independent Member P Duka, Auditor T Muhlhausler and Council Officers S Philpott, B Cernovskis, D Barber, J Scoggins, R Datta and A Lavia be excluded from attendance at the meeting for the receipt, discussion and consideration in confidence of Agenda Item 6.1 AR21/71285 City of Mount Gambier - IT Entity Controls Review 2020/21.

The Audit Committee is satisfied that, pursuant to section 90(3) (b), (e) and (g) of the Act, the information to be received, discussed or considered in relation to the Agenda Item is:

- information the disclosure of which could reasonably be expected to confer a commercial advantage on a person with whom the Council is
 - conducting business; or
 - proposing to conduct business; or
 - to prejudice the commercial position of the Council
- matters affecting the security of
 - the Council, or
 - Council Members, or
 - employees of the Council, or
 - Council property, or
 - the safety of any person
- information concerning matters that must be considered in confidence in order to ensure that the Council does not:
 - breach any law, order or direction of a court or tribunal constituted by law,
 - breach any duty of confidence, or
 - breach any other legal obligation or duty

The Audit Committee is satisfied that the principle that the meeting be conducted in a place open to the public has been outweighed in the circumstances because the information to be considered with this item relates to the security of Council property comprising information, data and information systems, including information of a commercial nature relating to Council systems, and provided on a confidential basis by Council's Auditors. The disclosure of this information would breach the confidence of the party that provided the information and could reasonably be expected to create a security risk for Council and potential advantage to 3rd party service providers and prejudice the commercial position of Council in service negotiations. The public interest in the non-disclosure of this information lies in protecting the community from unnecessary and avoidable costs associated with managing data security.

CARRIED



The Presiding Member sought the approval of at least two-thirds of the members present at the meeting to suspend meeting procedures:

Purpose of the Suspension: To discuss the City of Mount Gambier IT Entity Controls Review 2020/21

Carried by more than two-thirds of the members present at the meeting.

Meeting Procedures were suspended at 6:21 pm.

The Presiding Member determined that the period of suspension should be brought to an end;

Carried by more than two-thirds of the members present at the meeting.

The Period of Suspension came to an end and Meeting Procedures resumed at 6:34 pm.

COMMITTEE RESOLUTION

Moved: Cr Sonya Meziniec

Seconded: Paul Duka

CONSIDERATION FOR KEEPING ITEMS CONFIDENTIAL

1. In accordance with Sections 91(7) and 91(9) of the *Local Government Act 1999* the Council orders that the report 6.1 AR21/71285 City of Mount Gambier - IT Entity Controls Review 2020/21 and its attachments, the discussion and the resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (b), (e) and (g) be kept confidential and not available for public inspection until the matters contained in the report have been satisfactorily addressed.
2. Further that Council delegates the power to review, revoke, but not extend the confidential order to the Chief Executive Officer in accordance with the provisions of Section 91(9)(c) of the *Local Government Act 1999*.

CARRIED

8 MEETING CLOSE

The Meeting closed at 6:41 pm.

The minutes of this meeting were confirmed at the Audit Committee held on 7 February 2022.

.....
PRESIDING MEMBER

