



City of
Mount Gambier

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

Date: Monday, 29 January 2024

Time: 5.30 p.m.

**Location: Council Chamber
Civic Centre
10 Watson Terrace
Mount Gambier**

AGENDA

Audit and Risk Committee Meeting 29 January 2024

**Sarah Philpott
Chief Executive Officer
24 January 2024**

Order Of Business

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1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGY(IES)

That the apology from Mayor Lynette Martin be received.

3 CONFIRMATION OF MINUTES

[Audit and Risk Committee Meeting - 27 November 2023](#)

RECOMMENDATION

That the minutes of the Audit and Risk Committee meeting held on 27 November 2023 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 CORRESPONDENCE RECEIVED – REPORT NO. AR23/73375

Meeting: Audit and Risk Committee
CM9 Reference: AF11/863
Author: Ashlee Pasquazzi, Executive Administrator Corporate and Regulatory Services
Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR23/73375 titled 'Correspondence Received' as presented on 29 January 2024 be noted.



BACKGROUND

The report provides details of correspondence received since the previous ordinary meeting of the Audit and Risk Committee held 27 November 2023 and is provided for information.

DISCUSSION

The following correspondence has been received since the last ordinary meeting:

- Advice from Independent Commission Against Corruption (ICAC) - Integrity Spotlight Alert issued in November 2023.

CONCLUSION

This report presents the attached correspondence received for presentation to the Audit and Risk Committee for noting in line with the Audit and Risk Committee Terms of Reference:

13.3 Other Matters - *Shall give consideration to:*

- **Relevant Audits** - *Consider the findings and recommendations of relevant audits undertaken by the SA Auditor General's Office, the South Australian Ombudsmen, Independent Commissioner Against Corruption (ICAC) and other agencies to ensure Council considers the relevant recommendations.*

ATTACHMENTS

1. Independent Commission Against Corruption (ICAC) - Integrity Spotlight - Alert: Compliance and enforcement powers in Local Government [↓](#)





Integrity Spotlight

V1.0 – November 2023

Alert

All enforcement powers require appropriate safeguards to prevent their misuse.

Compliance and enforcement powers in Local Government

What compliance and enforcement functions do councils have?

Councils are responsible for ensuring that residents and businesses comply with various legislation, including that relating to public health and safety, building and construction, land use planning, waste, environmental management, local nuisances, traffic and road safety, and animal management.

Enforcement actions councils can undertake to enforce compliance with legislation include:

- Issuing verbal or written warnings
- Formal action in accordance with relevant legislation, including:
 - Issuing directions, or enforcing directions issued by a court
 - Issuing and enforcing fines, expiation notices and civil pecuniary penalties
- Criminal prosecution

Enforcement powers are entrusted to various council officers including 'Authorised Persons'¹, who work specifically in regulatory roles (for example, animal management officers, parking officers, community rangers). All enforcement powers require safeguards to prevent their misuse.

¹ 'Authorised Persons' can be appointed by councils under a range of legislation including (but not limited to) the *Local Government Act 1999*.

Enforcement powers and potential corruption – what's the problem?

Given the wide-ranging nature of enforcement powers available to council officers, they are vulnerable to misuse for corrupt purposes. This can include:

- soliciting or accepting a bribe, gift or other benefit, to exercise enforcement powers in a certain way
- failing to declare a conflict of interest
- using enforcement powers to advantage themselves or others.

The Commission recently investigated allegations that encroachments of private properties onto public land were ignored by council compliance officers as a result of inducements provided by property owners. These allegations were unsubstantiated, but they illustrated how corruption could occur.

The risk is greater when council officers have high levels of discretion in how they exercise enforcement powers, and when the use of these powers is not effectively supervised or documented. The misuse of enforcement powers may result in ratepayers losing confidence in the Council's ability to exercise powers in a fair and transparent manner.

How can councils manage these risks?

Councils require robust controls to guard against the risk that enforcement powers will be misused.

For example, councils should:

- have a clear enforcement policy that is publicly available. Enforcement policies provide a framework to guide council officers in taking enforcement actions.
- ensure that complaints relating to compliance and enforcement functions are appropriately assessed, investigated and resolved, in line with a clear complaints policy and procedure. Officers charged with investigating complaints ought to be appropriately trained and supervised.
- have a procedure for documenting enforcement decisions. Councils should document and have the capacity to access, review and audit records detailing the use of enforcement powers. This is important both for internal review, and in case an enforcement decision is ever disputed. It also promotes consistency.
- ensure conflicts of interest are properly processed. There should be a clear policy and procedure for the identification, disclosure and management of conflicts of interest. Councils should consider whether they should maintain a central register of conflicts of interest.
- ensure that the use of enforcement powers is checked and supervised.
- assess compliance and enforcement activities according to their vulnerability to corruption. High risk activities should be regularly reviewed to ensure robust controls are in place. That means appropriate supervision, role separation, staff compliance with record keeping requirements, and fair and transparent processes for complaints management.

Further resources

The **Local Government Association** has resources available for councils relevant to enforcing compliance with legislation, including a model enforcement policy:

www.lga.sa.gov.au

The **Local Government Authorised Persons Association** promotes professional development for authorised officers working in regulatory roles in councils:

apa.wildapricot.org

Some councils have enforcement policies publicly available. While the Commission does not endorse specific council policies, they may be useful to view as examples:

City of Mitcham: [Enforcement and Compliance Policy](#)

City of West Torrens: [Council Policy: Enforcement](#)

The Commission has produced other publications that may be helpful to councils. The report *Identify, Disclose and Manage* provides advice on the effective management of conflicts of interest in public administration:

www.icac.sa.gov.au/publications/published-reports/identify-disclose-manage

The Commission's evaluation of the City of Playford made recommendations aimed at improving policies, procedures and record keeping practices. These are relevant for all councils:

www.icac.sa.gov.au/evaluations-and-reviews/city-of-playford


All public officers, including council employees, are obliged to report a reasonable suspicion of corruption to the **Office for Public Integrity**:


www.publicintegrity.sa.gov.au


Public officers are also encouraged to report suspected misconduct and maladministration to the **South Australian Ombudsman**:

www.ombudsman.sa.gov.au

CONTACT US

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ICAC.SA.GOV.AU



5.2 QUARTERLY INTERNAL AUDIT UPDATE REPORT – REPORT NO. AR24/3283

| | |
|----------------------------------|---|
| Committee: | Audit and Risk Committee |
| Meeting Date: | 29 January 2024 |
| Report No.: | AR24/3283 |
| CM9 Reference: | AF11/863 |
| Author: | Julie Scoggins, Manager Financial Services |
| Authoriser: | Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services |
| Summary: | Further to the adoption of the Internal Audit Program by Council in December 2023 this report provides an overview of the progress made over the last quarter. |
| 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. AR24/3283 titled 'Quarterly Internal Audit Update Report' as presented on 29 January 2024 be noted.



TYPE OF REPORT

Legislative

BACKGROUND

1. **Section 84** - of the Statutes Amendment (Local Government Review) Act 2021 includes subsection (3) which results in a greater emphasis on internal audit and risk management.
2. **Section 82** - of the Act amends Section 125 of the Local Government Act and in particular, Section 125(3) to include that 'a Council must ensure that appropriate policies, systems and procedures relating to risk management 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;
 - inform appropriate decision making;
 - facilitate appropriate prioritisation of finite resources;
 - promote appropriate mitigation of strategic, financial and operational risks relevant to the Council.
3. **Section 126 (4)** - *The functions of a council audit and risk committee include—*
 - (g) —
 - (i) *if the council has an internal audit function—*
 - (A) *providing oversight of planning and scoping of the internal audit work plan; and*
 - (B) *reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis;*
4. **Internal Audit Approach** - Council has historically not had an internal audit function or undertaken internal audits. An approach was agreed with Dean Newbery and Partners further to their appointment as Council's external auditor in 2021 as follows:
 - **Internal Financial Controls Self-Assessment** - The internal financial controls that had not been assessed since 2018 would be assessed in FY 2023;
 - **Internal Audit** - A risk based approach would be undertaken to build an internal audit program starting with one internal audit in FY 2024.
5. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference (as adopted in December 2022) is relevant to this report:

12.4 Internal Audit *(where Council does not have a separate internal audit function):*

 - *The Committee shall:*
 - 12.4.1 **Monitor and Review** - *The effectiveness of the Council's internal audit function in the context of the Council's overall risk management system.*
 - 12.4.2 **Program** - *Consider and make recommendation on the program of the internal audit function and the adequacy of its resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.*
 - 12.4.3 **Reports** - *Review all reports on the Council's operations from the internal auditors.*
 - 12.4.4 **Findings and Recommendations** - *Review and monitor management's responsiveness to the findings and recommendations of the Internal Auditor; and*
 - 12.4.5 **Direct Access** - *Provide the internal Auditor with the right of direct access to the Mayor of the Council and to the Chairperson of the Committee.*



It should be noted that the Terms of Reference are expected to be updated further to a workshop in February and the Audit and Risk Committee in March and Council meeting in April to recognise that Council now has an internal audit function.

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

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

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

7. Audit and Risk Committee Work Program - The adopted work program includes quarterly reports to be taken to the Audit and Risk Committee for the following meetings:

- 26 February 2024;
- 27 May 2024;
- 29 July 2024; and
- 25 November 2024.

Further to the progress made in the last quarter (October 2023 – January 2024) it was felt appropriate to bring the report forward by a month, noting that the scope of internal audits will be brought to the February meeting.

PROPOSAL

- 1. Overview and Purpose** - The purpose of this report is to provide the Audit and Risk Committee with oversight of the planning and scoping of the internal audit work plan further to the reports provided to the Audit and Risk Committee and Council From October 2023 -January 2024.
- 2. Audit and Risk Committee Workshop** - A workshop was held on 30 October 2023 with members that covered the following:
 - **Internal Audit Legislative Changes** - An overview of the changes to be implemented from 30 November 2023.
 - **Draft Internal Audit Program** - A draft three year Internal Audit Program was presented to with feedback provided by members. This included an overview of the program, approach and consultation with members with regards to the proposed responsibility for the Internal Audit function (Manager, Financial Services).
- 3. Audit and Risk Committee Review and Council** - A report was taken to the Audit and Risk Committee meeting in November 2023 and Council meeting in December 2023. The purpose of the report was to provide a draft Internal Audit Plan for review by the Audit and Risk Committee prior to review and adoption by Council.
- 4. Internal Audit Plan Progress** - As per the table below the following progress has been made with the internal audit plan focussing on audits to be undertaken this financial year:



| Internal Audit Project | Progress in this quarter |
|--|--|
| Internal Audit Plan Development | Adopted Internal Audit Plan - Reviewed by the Audit and Risk Committee and adopted by Council at the December 2023 Council meeting. |
| Penetration Testing | Progress - Administration staff are working with external systems provider. |
| Incident Response Plan | <ul style="list-style-type: none"> • External Resource - The Manager Organisational Development has confirmed that this will be undertaken by Local Government Risk Services (LGRS) with the review expected to be undertaken in April 2024 • Audit and Risk Committee Meeting – Internal audit overview expected to be brought to 26 February meeting (to be confirmed). |
| Payroll and Remuneration | <ul style="list-style-type: none"> • RFQ Process - A select Request for Quote (RFQ) process was undertaken in December 2023 and January 2024 where two external providers were provided with a copy of the Internal Audit Plan that was adopted in December 2023. Both external providers provided submissions that were reviewed by the Manager Financial Services with a recommendation provided to the General Manager. • External Provider Engagement and Planning – Initial meeting held with preferred provider to work through the proposed scope, timing and price in more detail. • Audit and Risk Committee Meeting – Internal audit overview expected to be brought to 26 February meeting. |
| Position Description and Accreditation | <ul style="list-style-type: none"> • Internal Manager Engagement and Planning – Initial meeting held with preferred provider to work through the proposed scope, and timing at a high level. Audit expected to be undertaken in April 2024. • Audit and Risk Committee Meeting – Internal audit overview expected to be brought to 26 February meeting. |
| PDI Act 2016 – Post Implementation Review | <ul style="list-style-type: none"> • RFQ Process - A select Request for Quote (RFQ) process was undertaken in December 2023 and January 2024 where two external providers were provided with a copy of the Internal Audit Plan that was adopted in December 2023. Both external providers provided submissions that were reviewed by the Manager Financial Services with a recommendation provided to the General Manager. • External Provider Engagement and Planning – Initial meeting to be arranged with preferred provider to work through the proposed scope, timing and price in more detail. • Audit and Risk Committee Meeting – Internal audit overview expected to be brought to 26 February meeting (to be confirmed). |

5. **Next Steps** - Internal Audit Overview reports to be brought to the Audit and Risk Committee on 26 February for approval.



LEGAL IMPLICATIONS

Local Government Act

STRATEGIC PLAN

N/A

COUNCIL POLICY

[Internal Audit Policy](#)

[F225 Fraud and Corruption Prevention Policy](#)

[Internal Controls Policy](#)

[Risk Management Policy](#)

ECONOMIC IMPLICATIONS

N/A

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

N/A

RESOURCE IMPLICATIONS

Budget Allocation - The Internal Audit Plan 2024-2026 was created to be conducted within the current available budget (pending a procurement process). \$20k has been included in the 2023/2024 budget.

Detailed pricing will be worked through with the preferred suppliers. It is expected that this activity will be funded from Council's overall budget.

VALUE FOR MONEY

Some internal audits will improve Council's efficiency and effectiveness.

RISK IMPLICATIONS

Improved Internal Audit processes is in keeping with the Audit and Risk responsibilities and legislation and will result in improved risk management processes.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

The internal audit program as adopted by Council will be implemented as follows:

- **Procurement Activities** - Will be undertaken to select external provider(s) that will lead the internal audits where external resource is required.
- **Management Team Roll Out** - The program will be communicated at the Management Team meeting with further meetings to agree provisional dates across the organisation prior to bringing back to the Audit and Risk Committee.



CONCLUSION AND RECOMMENDATION

It is recommended that the quarterly Internal Audit report be noted.

ATTACHMENTS

Nil



**5.3 UNAUDITED BUILDINGS AND STRUCTURES VALUATION - AS AT 1 JULY 2023 –
REPORT NO. AR24/3299**

| | |
|----------------------------------|--|
| Committee: | Audit and Risk Committee |
| Meeting Date: | 29 January 2024 |
| Report No.: | AR24/3299 |
| CM9 Reference: | AF11/863 |
| Author: | Julie Scoggins, Manager Financial Services |
| Authoriser: | Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services |
| Summary: | The purpose of this report is to summarise the combined financial impacts of the draft unaudited external asset revaluation and the revised useful economic lives. |
| 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. AR24/3299 titled 'Unaudited Buildings and Structures Valuation - As at 1 July 2023' as presented on 29 January 2024 be noted.



TYPE OF REPORT

Other

BACKGROUND

1. **Australian Accounting Standards Requirement** - Australian Accounting Standards require assets to be periodically independently revalued. Generally accepted accounting practice is for this to occur at least once every five years. The purpose to ensure that financial statements provide a more accurate representation of financial position.
2. **Council Policy** - Asset Accounting Policy provides further direction including that revaluations are performed at sufficient frequency to reduce material difference at reporting date and requires that Building and Structures are revalued every 4 years by a Valuer external to Council. It should be noted that the revaluation whilst still conducted in the 2024 financial year, was brought forward from 30 June 2024 to 1 July 2023. Reasons for this including changes in market conditions, accuracy of budgeting and timing alignment with strategic planning.
3. **Previous Valuation** - Council building and structure assets were last independently valued as at 30 June 2020, by AssetVal (the Valuers).
4. **External Valuers** – AssetVal has an existing contract with Council with their scope of works due to complete financial year ending 30 June 2026 with an insurance value review.

Following the conclusion of this engagement with AssetVal, Council will prepare a specification for professional services and seek interest from suitably qualified Valuers in accordance with the Procurement Policy.

5. **Audit and Risk Committee Terms of Reference (Adopted December 2022)** – in alignment with the terms of reference of the Audit and Risk Committee (the Committee) Roles are as follows:

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.*

12.1.2 Review and challenge - *where necessary:*

- *The methods used to account for significant or unusual transactions where different approaches are possible.*
- *The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditor.*
- *All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).*

i.e. the Committee is responsible for monitoring the integrity of the financial statements of the Council. This revaluation is material information for inclusion and review.

PROPOSAL

1. **Revaluation Undertaken** - The valuers undertook a revaluation of Council's building and structures non-current class of assets, for the purposes of accounting compliance (Fair Value) in accordance with the Australian Accounting Standards which include:
 - AASB 13 – Fair Value Measurement;
 - AASB 116 – Property Plant and Equipment;
 - AASB 5 – Assets Held for Sale; and
 - AASB 136 – Impairment.



2. Approach and Methodology

2.1 **Valuation Approach** – Under AASB 116 the value of property is to be recorded at Fair Value. Methodology adopted by the Valuers in determining Fair Value is based on either Market Value Approach or alternatively using Current Gross Replacement Cost Approach and is dependent on the:

- level of specialisation of the asset
- existence of a market
- existence of market evidence
- consideration of the 'property' as a whole, for example is the Land asset class being valued congruently with the building and structures that are located adjoining.

Many Council assets are considered specialised assets such as community halls, public toilets, culturally significant buildings and cannot be reliably estimated using the Market Value Approach (fair value level 2 input) due to lack of market of evidence. For these reasons the Valuers have used the Current Gross Replacement Cost Approach (CGRC) with fair value level 3 inputs.

2.2 **Valuation Date** - A valuation date of 1 July 2023 rather than 30 June 2023 has been selected as the date for this valuation for the following reasons:

- **Market Conditions** - Aligned with the market and the local government sector in South Australia significant increases have been seen the valuation of assets and resulting depreciation. It is also worth noting that this is the approach that was discussed with the external auditors at the balance date audit for the financial year 2023.
- **ABP, IAMPs and LTFF** - So that this information can be used to inform these key business planning and strategic management documents.

2.3 **Previous Valuation** - It should be noted that in completing this valuation an error was found in the last valuation with assets that had been incorrectly classified as valued using fair value level 2 inputs, when in fact they had been valued using fair value level 3 inputs. This correction has not affected the values and is immaterial. However, this will be noticeable upon preparation of the Financial Statements as the comparative year will show fair value level 2 and 3 inputs (the prior year Note 6. Will be restated to ensure have consistent comparatives).

2.4 **Componentisation of assets** - AASB 116.43 requires that each part of an asset that has a significant cost component relevant to total cost be treated separately. This also allows different useful lives to be allocated per component. The following table provides the building components reviewed by the Valuers.

| BUILDING COMPONENTS | TYPICAL % OF TOTAL VALUE |
|----------------------------------|--------------------------|
| Substructure | 2.7% - 20% |
| Super Structure/Building Envelop | 26.1% - 65% |
| Roof | 5.0% - 65% |
| Fitout/Finishes | 3.1% - 30.4% |
| Services | 17.5% -44.8% |

2.5 **Asset Accounting Policy** - Due to changes to useful life assumptions, specifically heritage buildings and structures, the Asset Accounting Policy is required to be updated to reflect altered ranges. This will be completed following the finalisation of an infrastructure revaluation currently underway as part of the annual review of this policy.



3. **Assets not included in the valuation scope** - The following assets have been excluded from this valuation:

- **Assets owned or (part owned) by others** - Where Council owns buildings and structures jointly with external parties, the Valuers have provided the full valuation and the proportion relevant to Council's ownership only. This is for two purposes; firstly, to ensure that the overall asset is adequately insured and secondly, so that Council is not overstating the values of assets on its balance sheet.
- **Assets not considered under Council control** - Buildings and structures that are not considered under control include those where negligible rent/consideration is received and Council is not the decision-making authority in regards to use and management of the asset. Where it is deemed control lies with an external party, these assets have been excluded.
- **Land** - Buildings and structure assets are generally located on land. Due to the nature of land assets, these are contained in their own asset class and not included in the valuation.
- **Valuation Summary:** This valuation results in a 13% increase to Fair Value compared to Financial Statements as at 30 June 2023, bringing Council's building and structure asset values to \$130.56M. The table below provides a summary of values as at 1 July 2023.

| ASSET CLASS | REPLACEMENT COST | FAIR VALUE | ACCUMULATED DEPRECIATION | ANNUAL DEPRECIATION |
|--------------|----------------------|----------------------|--------------------------|---------------------|
| Building | \$159,389,775 | \$110,810,555 | \$48,579,220 | \$3,691,149 |
| Structure | \$31,504,000 | \$19,751,350 | \$11,752,650 | \$815,346 |
| TOTAL | \$190,893,775 | \$130,561,905 | \$60,331,870 | \$4,506,495 |

- **Data Currency** - The Valuers undertook onsite inspections between 29 August 2023 to 31 August 2023.

4. **Analysis of Results/Financial Impact:**

- 4.1 **Strategic review and discussions** - Management and staff worked collaboratively with the Valuers over the course of the revaluation to reasonably reduce the initial valuation increase and impact of depreciation. Areas reviewed include:
- **Benchmarking** - to other Councils regarding heritage useful lives (please see below for impact).
 - **Consistency of approach** - to componentisation, which improved the integrity of the data.
 - **Fair value methodology** - Discussions regarding fair value level methodology, specifically what would be better for Council in relation to fair value level 2 versus level 3 methodology.
 - **Reasonableness checks** - considering recent works, current working state and potential future use of assets.
- 4.2 **Fair Value as a Percentage of gross (or nominal) replacement cost** - 68.39%. This shows the remaining service index on buildings and structures.
- 4.3 **Depreciation** - Will increase due to the increase in values. The immediate impact of depreciation is anticipated to be an increase of 4.13% or \$0.3m on Budget Review 1 for the 2023/2024 year.
- 4.4 **Heritage Buildings** - Significant discussions were held with the Valuers regarding Council culturally significant heritage buildings and useful lives, resulting in an increase in useful lives to all heritage buildings from a maximum of 100 to 250 years. This change will be reflected in the Asset Accounting Policy (previously noted).



4.5 **Condition Ratings** - Application as per table below:

| RATING 0 -10 | RATING 1 - 5 | DESCRIPTION | PERCENTAGE OF LIFE REMAINING |
|-----------------|-----------------|---|---------------------------------|
| 0 | 1 | Brand new or rehabilitated to new | 100% |
| 1 | | Near new with no visible deterioration | 90% |
| 2 | | Excellent overall condition early stages of deterioration | 80% |
| 3 | 2 | Very good overall condition with obvious deterioration evident | 70% |
| 4 | | Good overall condition, obvious deterioration serviceability impaired very slightly | 60% |
| 5 | 3 | Fair overall condition obvious deterioration, serviceability loss | 50% |
| 6 | | Fair to poor overall condition, obvious deterioration | 40% |
| 7 | 4 | Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs | 30% |
| 8 | | Very poor overall condition, severe deterioration very high maintenance costs. Consider renewal | 20% |
| 9 | 5 | Extremely poor condition, sever serviceability problems, renewal required immediately | 10% |
| 10 | | Failed asset, no longer serviceable. Should not remain in service | 0% |

5. **Development of future Asset Management Plans, Forward Works and Maintenance Programs:**

- **Inform more detailed planning** - Condition assessments completed by the Valuers will drive further condition audits that are more detailed.
- **Asset Management Planning** - The detailed condition audits will ultimately inform specific building renewal, upgrade and repair/maintenance works to be included in future forward works programming, asset management planning and budgeting

6. **Next Steps:**

- **Incorporate Draft Numbers in BR2-** To be taken to the February Council meeting for adoption.
- **Asset Accounting Policy** - Review and update Asset Accounting Policy as part of the annual policy review at the March Audit and Risk Committee meeting for adoption at the April Council meeting.
- **External Audit Review** - External Auditors to review and sign off prior to the interim audit, March 2024
- **Annual Business Plan and Budget, Asset Management and LTFP** - Use information as foundation for detailed condition audits and forward works program to be included in the 2024/2025 ABP, Asset Management Plans and LTFP.

LEGAL IMPLICATIONS

Accounting Standards:

In accordance with AASB13 CI 89 the most reliable inputs have been used for this revaluation with information as provided by Council. All assets within this Financial Class were valued using the cost approach. There were no assets valued where it was assumed that the highest and best use was other than its current use.



STRATEGIC PLAN

Asset management is a key component of Council's Strategic Plan.

COUNCIL POLICY

[Asset Accounting Policy](#)

[A900 Asset Management Policy](#)

ECONOMIC IMPLICATIONS

The valuation considers current market and replacement cost conditions and is reflective of increases to costs in recent years due to supply shortages experienced following Covid and ongoing global military activity.

ENVIRONMENTAL IMPLICATIONS

N/A

SOCIAL IMPLICATIONS

N/A

CULTURAL IMPLICATIONS

Maintenance programs will be developed as part of future asset management planning that will include heritage buildings of cultural significance.

RESOURCE IMPLICATIONS

The financial impact of this valuation will be included in Budget Review 1, the 2023/2024 actual financial statements and the next version of Council's Long Term Financial Plan.

VALUE FOR MONEY

N/A

RISK IMPLICATIONS

N/A

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

The valuation data will be used to inform future budgets, Council's Long Term Financial Plan and future financial statements.

CONCLUSION AND RECOMMENDATION

That the Audit and Risk Committee review and note the contents of this report as the draft unaudited Buildings and Structure revaluation as at 1 July 2023.

ATTACHMENTS

Nil



5.4 AUDIT AND RISK COMMITTEE MEETING REPORT 29/01/24 – REPORT NO. AR24/3322

| | |
|----------------------------------|---|
| Committee: | Audit and Risk Committee |
| Meeting Date: | 29 January 2024 |
| Report No.: | AR24/3322 |
| CM9 Reference: | AF11/863 |
| Author: | Julie Scoggins, Manager Financial Services |
| Authoriser: | Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services |
| Summary: | Further to legislative changes this report provides 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. |
| 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. AR24/3322 titled 'Audit and Risk Committee Meeting Report 29/01/24' as presented on 29 January 2024 be noted.



TYPE OF REPORT

Legislative

BACKGROUND

1. **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;

PROPOSAL

Period Preceding The Meeting:

1. **Independent Member Appointment/Extension** - Further to an expression of interest (EOI) process undertaken in December and January a panel of Councillor Paul Jenner, Mayor Lynette Martin, Jane Fetherstonhaugh and Julie Scoggins reviewed the 5 EOIs received. Council considered the EOIs at its meeting in January 2024 and is in the process of notifying the candidates of the outcome.
2. **Council Member Briefing** - A meeting was held between the Council Member Audit and Risk Committee representative, the General Manager Corporate and Regulatory Services and 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.

Outcomes of The Meeting:

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

LEGAL IMPLICATIONS

Local Government Act Sections 125A, 126 and 41.

Local Government (Financial Management) Regulations 2011

Terms of Reference – Audit and Risk Committee

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

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

ATTACHMENTS

Nil



6 MOTIONS WITHOUT NOTICE

7 MEETING CLOSE



**MINUTES OF CITY OF MOUNT GAMBIER
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT
GAMBIER
ON MONDAY, 27 NOVEMBER 2023 AT 5.30 P.M.**

PRESENT: Mr Paul Duka, Cr Paul Jenner, Mr Alexander Brown (virtual), Ms Belinda Johnson

OFFICERS IN ATTENDANCE: General Manager Corporate and Regulatory Services - Mrs J Fetherstonhaugh
Manager Financial Services - Mrs J Scoggins
Executive Administrator - Mrs A Pasquazzi

1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGY(IES)

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Belinda Johnson

That the apology from Mayor Lynette Martin be received.

CARRIED

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Paul Jenner

Seconded: Alexander Brown

That the minutes of the Audit and Risk Committee meeting held on 30 October 2023 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED



3.1 MOTION - BRIEFING NOTES - CR PAUL JENNER - 21 NOVEMBER 2023

COMMITTEE RESOLUTION

Moved: Cr Paul Jenner
Seconded: Paul Duka

That the briefing notes provided by Cr Paul Jenner from the 21 November 2023 Council meeting, as attached the minutes of this meeting, be noted.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil

5 REPORTS

5.1 EXTERNAL AUDIT MANAGEMENT REPORT

COMMITTEE RESOLUTION

Moved: Belinda Johnson
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR23/76759 titled 'External Audit Management Report' as presented on 27 November 2023 be noted.

CARRIED

5.2 REVIEW OF COUNCIL POLICIES AND LEASES/LICENCES - UPDATE

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR23/76976 titled 'Review of Council Policies and Leases/Licences - Update' as presented on 27 November 2023 be noted.
2. That Policy P910 Provision of Loans or Guarantees to Community Groups as attached to Report No. AR23/76976, be suspended whilst under review.
3. That Policy E200 - Employees - Service Awards - Gifts as Resignation/Retirement as attached to Report No. AR23/76976, be suspended whilst under review.

CARRIED



5.3 POLICY REVIEW - F225 FRAUD, CORRUPTION, MISCONDUCT AND MALADMINISTRATION PREVENTION POLICY AND INTERNAL AUDIT POLICY

COMMITTEE RESOLUTION

Moved: Alexander Brown

Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR23/66340 titled 'Policy Review - F225 Fraud, Corruption, Misconduct and Maladministration Prevention Policy and Internal Audit Policy' as presented on 27 November 2023 be noted.
2. That the revised F225 Fraud, Corruption, Misconduct and Maladministration Prevention Policy as attached to Report No. AR23/66340, having been reviewed by the Audit and Risk Committee on 27 November 2023, be adopted.
3. That the Internal Audit Policy as attached to Report No. AR23/66340, having been reviewed by the Audit and Risk Committee on 27 November 2023, be adopted.
4. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the policies arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.
5. That the responsibility for the internal audit function as set out in the Internal Audit Policy and Draft Internal Audit Plan be noted.

CARRIED

5.4 POLICY REVIEW - PROCUREMENT AND DISPOSAL OF LAND AND ASSETS POLICIES

COMMITTEE RESOLUTION

Moved: Cr Paul Jenner

Seconded: Paul Duka

1. That Audit and Risk Committee Report No. AR23/64014 titled 'Policy Review - Procurement and Disposal of Land and Assets Policies' as presented on 27 November 2023 be noted.
2. That the P420 Procurement and Disposal of Land and Assets Policy be revoked and replaced by the Procurement Policy and the Disposal of Land and Assets Policy.
3. That the Disposal of Land and Assets Policy as attached to Report No. AR23/64014, having been reviewed by the Audit and Risk Committee on 27 November 2023, be adopted.
4. That the Procurement Policy as attached to Report No. AR23/64014, having been reviewed by the Audit and Risk Committee on 27 November 2023, be adopted.
5. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the policies arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

CARRIED



5.5 COUNCIL INVESTMENTS AND BORROWINGS

COMMITTEE RESOLUTION

Moved: Cr Paul Jenner
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR23/70502 titled 'Council Investments and Borrowings' as presented on 27 November 2023 be noted.

CARRIED

Mr Alexander Brown left the meeting at 6:09 pm

5.6 SELF-ASSESSMENT OF PERFORMANCE AUDIT AND RISK COMMITTEE

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR23/76967 titled 'Self-assessment of Performance Audit and Risk Committee' as presented on 27 November 2023 be noted.
2. That the Audit and Risk Committee Self-Assessment Report for 2022/2023, having been reviewed by the Audit and Risk Committee on 27 November 2023, be adopted.

CARRIED

Mr Alexander Brown returned to the meeting at 6:12 pm

5.7 AUDIT AND RISK COMMITTEE WORK PROGRAM & MEETING SCHEDULE 2024

COMMITTEE RESOLUTION

Moved: Belinda Johnson
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR23/76965 titled 'Audit and Risk Committee Work Program & Meeting Schedule 2024' as presented on 27 November 2023 be noted.
2. That having been reviewed by the Audit and Risk Committee on 27 November 2023, the below meeting dates for 2024 be adopted, noting that the meeting dates are subject to change, including if an additional meeting is required:
 - (a) 29 January 2024
 - (b) 26 February 2024;
 - (c) 25 March 2024;
 - (d) 27 May 2024;
 - (e) 29 July 2024;
 - (f) 28 October 2024; and
 - (g) 25 November 2024.



3. That the draft work program as reviewed by the Audit and Risk Committee for the calendar year 2024 (attached) be adopted, noting the meeting dates, months and schedule are subject to change, including if an additional meeting is required.

CARRIED

5.8 INTERNAL AUDIT PROGRAM

COMMITTEE RESOLUTION

Moved: Alexander Brown

Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR23/78717 titled 'Internal Audit Program' as presented on 27 November 2023 be noted.
2. That the Draft Internal Audit Plan as attached to Report No. AR23/78717, having been reviewed by the Audit and Risk Committee on 27 November 2023, be adopted with the following additions:
 - (a) Procurement and Contract Management to be added
3. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the Draft Internal Audit Plan arising from this meeting, together with any typographical corrections, amendments to position or organisation titles, and finalisation of the document's formatting that do not materially alter the integrity of the document.

CARRIED

5.9 RISK MANAGEMENT REPORT SEPTEMBER 2023

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Cr Paul Jenner

1. That Audit and Risk Committee Report No. AR23/76980 titled 'Risk Management Report September 2023' as presented on 27 November 2023 be noted.

CARRIED

5.10 WORK HEALTH SAFETY AND WELLBEING MANAGEMENT

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Cr Paul Jenner

1. That Audit and Risk Committee Report No. AR23/76978 titled 'Work Health Safety and Wellbeing Management' as presented on 27 November 2023 be noted.

CARRIED



5.11 AUDIT AND RISK COMMITTEE MEETING REPORT 27/11/23

COMMITTEE RESOLUTION

Moved: Belinda Johnson
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR23/81356 titled 'Audit and Risk Committee Meeting Report 27/11/23' as presented on 27 November 2023 be noted.

CARRIED

Mr Alexander Brown left the meeting at 6:59 pm and did not return.

6 MOTIONS WITHOUT NOTICE

Nil

7 MEETING CLOSE

The Meeting closed at 7:01 pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee held on 29 January 2024.

.....
PRESIDING MEMBER



Report recommendations:

1. That Audit and Risk Committee Report No. AR23/37466 titled 'Draft 2022/2023 Financial Statements' as presented on 30 October 2023 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 2023 and 'they present fairly the state of affairs of the council'.
3. That having been reviewed by the Audit and Risk Committee on 30 October 2023, the Audit Completion Report and Management Representations Letter as attached to Report No. AR23/37466 be noted.

Overview:

It is important to note that the review of Council's draft financial statements represents one of the most important items in the Audit and Risk Committee's work program. This is where a group of subject matter experts get to review the statements, ask questions where required and provide feedback to our staff.

This is also where the External Auditors get to speak to the Audit and Risk Committee and provide their feedback on the financial statements and the underlying internal financial controls based on comprehensive testing and reviews undertaken at the interim and balance date audits and beyond.

This is the opportunity for both parties to review the financial statements and to state that 'they present fairly the state of affairs of the council'.

This represents the culmination of a significant amount of work for the Finance team, from the data provided to support the testing at the interim and balance date audits and the compilation of the financial statements ensuring that these are aligned with accounting standards and the 'model financial statements' as defined by State Government.

The Audit Completion Report provided by Dean Newbery and the verbal feedback provided by the relevant partners and staff showed that Council's Finance team have been extremely diligent in the work to support the production of the financial statements, and also the progress made in the journey of continuous improvement. They were congratulated by the External Auditors for the way in which they have reported on progress from previous audits, taking on board feedback, making changes and reporting progress regularly to the Audit and Risk Committee.

The independent members of the Audit and Risk Committee in their role as subject matter experts also thanked the team for their work and congratulated them for a job well done.

I would like to take this opportunity as Council's representative on the Audit and Risk Committee to thank the Finance team for their hard work....

