



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, 30 October 2023

Time: 5.30 p.m.

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

AGENDA

Audit and Risk Committee Meeting 30 October 2023

**Sarah Philpott
Chief Executive Officer
26 October 2023**

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1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

[Audit and Risk Committee Meeting - 31 July 2023](#)

[Special Audit and Risk Committee Meeting - 11 September 2023](#)

RECOMMENDATION

That the minutes of the Audit and Risk Committee meeting held on 31 July 2023 and the Special Audit and Risk Committee meeting held on 11 September 2023 be confirmed as an accurate record of the proceedings of the meeting.

4 QUESTIONS WITHOUT NOTICE



5 REPORTS

5.1 DRAFT 2022/2023 FINANCIAL STATEMENTS – REPORT NO. AR23/37466

Committee:	Audit and Risk Committee
Meeting Date:	30 October 2023
Report No.:	AR23/37466
CM9 Reference:	AF11/863
Author:	Kylie Harradine, Financial Accounting Coordinator
Authoriser:	Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services
Summary:	This report presents the draft 2022/2023 Financial Statements for review by the Audit and Risk Committee.
Strategic Plan Reference:	Goal 1: Our People
	Goal 2: Our Location
	Goal 3: Our Diverse Economy
	Goal 4: Our Climate, Natural Resources, Arts, Culture and Heritage
	Goal 5: Our Commitment

REPORT RECOMMENDATION

1. That Audit and Risk Committee Report No. AR23/37466 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.



TYPE OF REPORT

Legislative

BACKGROUND

1. **Report Purpose** - The purpose of the annual financial statements is to provide Council, the community and other interested parties with a record of the financial activities and the financial position of the Council, comparative to the proceeding financial period.
2. **Section 125** - Pursuant to Section 125 of the Local Government Act 1999, a council must ensure that appropriate policies, practices and procedures of internal control are implemented and maintained in order to assist the council to carry out its activities in an efficient and orderly manner to achieve its objectives, to ensure adherence to management policies, to safeguard the council's assets and to secure (as far as possible) the accuracy and reliability of council records.
3. **Section 126** - Pursuant to Section 126 (4) of the Local Government Act 1999, the functions of an audit committee include – a) reviewing annual financial statements to ensure that they present fairly the state of the Council and c) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.
4. **Section 129 (3)** - Pursuant to Section 129 (3) of the Local Government Act 1999, the auditor must provide to the council – a) an audit opinion with respect to the financial statements, and b) an audit opinion as to whether the controls audited under sub section 1) b) are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with law.
5. **Section 16** - Pursuant to Section 16 of the Local Government (Financial Management) Regulations 2011, on or before November 30 a copy of the audited financial statements for the preceding year must be submitted to the presiding member of the South Australian Local Government Grants Commission.
6. **Audit and Risk Committee Terms of Reference** - The following section of the Audit and Risk Committee Terms of Reference is relevant to this report:

12.1 Financial Reporting:

The Committee shall:

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

12.5 External Audit:

The Committee shall:

- 12.5.4 **Meeting** - *Meet as needed with the external auditor. The Committee shall meet the external auditor at least once a year to discuss the external auditor's report and any issues arising from the audit.*
- 12.5.6 **Audit Findings** - *Review the findings of the audit with the auditor. This shall include, but not be limited to, the following:*
 - *A discussion of any major issues which arose during the external audit;*
 - *Any accounting and audit judgements; and*
 - *Levels of errors identified during the external audit.*
- 12.5.7 **Effectiveness** - *The Committee shall also review the overall effectiveness of the external auditor.*



- 12.5.8 **Representation Letter(s)** - Review any representation letter(s) requested by the auditor before they are signed by management.
- 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.
7. **Appointment of External Auditors** - Samantha Creten, Dean Newbery and Partners were appointed as Council's Auditors for the period 2022 - 2026.
8. **Interim Audit** - Council's external auditors (Dean Newbery and Partners) undertook an interim site visit in relation to the external audit for the year ended 30 June 2023 in May 2023.
9. **Second Audit** - The financial audit of the 2022/2023 financial statements is the second audit to be undertaken by Dean Newbery and Partners as part of their engagement to undertake five audits for Council.
10. **Financial Year Balance Date External Audit Attendance** - Dean Newbery and Partners attended Council's offices between 18-19 September 2023.

PROPOSAL

1. **Model Financial Statements** - The Model Financial Statements set out a recommended format (covering the four principal financial statements and notes to be read in conjunction with those statements) which complies with Australian accounting standards.
2. **Form and Contents** - The form and contents of the financial statements are prescribed by the Local Government Act 1999 and Financial Regulations 2011, in conjunction with associated Australian accounting standards.
3. **Section 13** - of the Local Government (Financial Management) Regulations 2011 requires that the financial statements of a council, council subsidiary or regional subsidiary (other than notes and other explanatory documentation) must be in accordance with the requirements set out in the Model Financial Statements.
4. **Valuations** – The following valuations were undertaken as at 30 June 2023, with resulting impact included in the Financial Statements as per note 6 and 8;
 - Land based on Valuer General's valuations;
 - Infrastructure assets including footpaths, kerbs and guttering, and road assets; and
 - Riddoch art collection
4. **External Auditor Attendance** - Samantha Creten of Dean Newbery and Partners will attend the Audit and Risk Committee meeting.
5. **External Auditor Documentation** - Dean Newbery and Partners have provided their Audit Completion Report (**Attachment 2**) which acts as their audit clearance and includes their proposed audit opinions on the finance report and on the internal controls, as well as the Auditor's Independence Declaration. Council's Auditors have also provided a Draft Management Representations Letter (**Attachment 3**) that Council staff have completed to be reviewed by the Audit and Risk Committee prior to signing by the Chief Executive Officer.
6. Council's financial statements will be published in the Council's Annual Report for the 2022/2023 financial year and will be provided to the:
 - Minister for Local Government;
 - South Australian Local Government Grants Commission; and
 - Other key stakeholders.



LEGAL IMPLICATIONS

Financial Statements must be prepared in accordance with the Local Government Act 1999, the Local Government (Financial Management) Regulations 2011 and relevant Australian accounting standards.

STRATEGIC PLAN

The budget was developed in the context of the Strategic Plan.

COUNCIL POLICY

[Asset Accounting 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

Prudent management of Council's financial sustainability ensures that short and long term financial risk is minimised.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

Once adopted, the audited financial statements will be available on Council's website and included in Council's annual report.

IMPLEMENTATION STRATEGY

N/A

CONCLUSION AND RECOMMENDATION

The financial statements are general purpose statements representing the financial performance of the Council for the 2022/2023 financial year and the financial position as at 30 June 2023. The financial statements have been prepared in accordance with the Australian Accounting Standards and Local Government (Financial Management) Regulations 2011.

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



- for the financial year 2022/2023 in accordance with Section 126 (4) (a) of the Local Government Act 1999, the Audit and Risk Committee confirm the draft annual financial statements of Council 'present fairly the state of affairs of the council';
- the Audit and Risk Committee note the Audit Completion Report (**Attachment 2**).

ATTACHMENTS

1. General Purpose Financial Statements [↓](#)
2. Audit Completion Report [↓](#)
3. Management Representations Letter [↓](#)



DRAFT

City of Mount Gambier

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2023



City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2023

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City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2023

Certification of Financial Statements

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

In our opinion:

- the accompanying financial statements comply with the *Local Government Act 1999, Local Government (Financial Management) Regulations 2011* and Australian Accounting Standards,
- the financial statements present a true and fair view of the Council's financial position at 30 June 2023 and the results of its operations and cash flows for the financial year,
- internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the financial year,
- the financial statements accurately reflect the Council's accounting and other records.

Sarah Philpott
CHIEF EXECUTIVE OFFICER

Date:

Lynette Martin
MAYOR

Date:



City of Mount Gambier

Statement of Comprehensive Income

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Income			
Rates	2a	24,893	23,822
Statutory charges	2b	731	633
User charges	2c	6,947	5,515
Grants, subsidies and contributions - capital	2g	1,071	716
Grants, subsidies and contributions - operating	2g	6,402	5,899
Investment income	2d	49	14
Reimbursements	2e	755	65
Other income	2f	1,263	498
Total income		42,111	37,162
Expenses			
Employee costs	3a	14,365	13,090
Materials, contracts and other expenses	3b	17,460	13,234
Depreciation, amortisation and impairment	3c	10,176	8,479
Finance costs	3d	1,094	358
Total expenses		43,095	35,161
Operating surplus / (deficit)		(984)	2,001
Physical resources received free of charge	2i	1,054	1,760
Asset disposal and fair value adjustments	4	(364)	(787)
Amounts received specifically for new or upgraded assets	2g	5,808	17,940
Net surplus / (deficit)		5,514	20,914
Other comprehensive income			
Amounts which will not be reclassified subsequently to operating result			
Changes in revaluation surplus - I, PP&E	8a	90,897	—
Impairment (expense) / recoupments offset to asset revaluation reserve	8a	(575)	—
Total amounts which will not be reclassified subsequently to operating result		90,322	—
Total amounts which will be reclassified subsequently to operating result		—	—
Total other comprehensive income		90,322	—
Total comprehensive income		95,836	20,914

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



City of Mount Gambier

Statement of Financial Position

as at 30 June 2023

\$ '000	Notes	2023	2022
ASSETS			
Current assets			
Cash and cash equivalent assets	5a	76	250
Trade and other receivables	5b	4,155	2,974
Inventories	5c	67	64
Total current assets		4,298	3,288
Non-current assets			
Infrastructure, property, plant and equipment	6	399,756	301,171
Total non-current assets		399,756	301,171
TOTAL ASSETS		404,054	304,459
LIABILITIES			
Current liabilities			
Trade and other payables	7a	4,801	9,331
Borrowings	7b	3,088	1,222
Provisions	7c	3,011	2,784
Total current liabilities		10,900	13,337
Non-current liabilities			
Borrowings	7b	28,519	22,311
Provisions	7c	3,495	3,507
Total non-current liabilities		32,014	25,818
TOTAL LIABILITIES		42,914	39,155
Net assets		361,140	265,304
EQUITY			
Accumulated surplus		87,644	83,080
Asset revaluation reserves	8a	271,174	180,852
Other reserves	8b	2,322	1,372
Total equity		361,140	265,304

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



City of Mount Gambier

Statement of Changes in Equity

for the year ended 30 June 2023

\$ '000	Notes	Accumulated surplus	Asset revaluation reserve	Other reserves	Total equity
2023					
Balance as at 1 July		83,080	180,852	1,372	265,304
Net surplus / (deficit) for year		5,514	–	–	5,514
Other comprehensive income					
Gain (loss) on revaluation of IPP&E	6a	–	90,897	–	90,897
IPP&E impairment (expense) / recoupments offset to ARR	6a	–	(575)	–	(575)
Other comprehensive income		–	90,322	–	90,322
Total comprehensive income		5,514	90,322	–	95,836
Transfers between reserves	8b	(950)	–	950	–
Balance at the end of period		87,644	271,174	2,322	361,140
2022					
Balance as at 1 July		66,406	175,462	884	242,752
Adjustments (correction of prior period errors)		(3,752)	5,390	–	1,638
Net surplus / (deficit) for year		20,914	–	–	20,914
Total comprehensive income		20,914	–	–	20,914
Transfers between reserves	8b	(488)	–	488	–
Balance at the end of period		83,080	180,852	1,372	265,304

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



City of Mount Gambier

Statement of Cash Flows

for the year ended 30 June 2023

\$ '000	Notes	2023	2022
Cash flows from operating activities			
<u>Receipts</u>			
Rates receipts		24,803	23,829
Statutory charges		731	633
User charges		6,947	4,335
Grants, subsidies and contributions		6,419	6,615
Investment receipts		49	14
Reimbursements		755	65
Other receipts		50	896
<u>Payments</u>			
Payments to employees		(14,081)	(13,157)
Payments for materials, contracts and other expenses		(15,666)	(13,845)
Finance payments		(720)	(136)
Net cash provided by (or used in) operating activities	9b	<u>9,287</u>	<u>9,249</u>
Cash flows from investing activities			
<u>Receipts</u>			
Grants utilised for capital purposes		1,071	–
Amounts received specifically for new or upgraded assets		5,142	20,443
Sale of replaced assets		40	112
Sale of surplus assets		20	–
<u>Payments</u>			
Expenditure on renewal/replacement of assets		(5,370)	(5,623)
Expenditure on new/upgraded assets		(18,216)	(35,134)
Net cash provided (or used in) investing activities		<u>(17,313)</u>	<u>(20,202)</u>
Cash flows from financing activities			
<u>Receipts</u>			
Proceeds from loans		10,000	15,000
Proceeds from bonds and deposits		22	–
<u>Payments</u>			
Repayments of loans		(1,905)	(5,419)
Repayment of lease liabilities		(265)	(209)
Repayment of bonds and deposits		–	(62)
Net cash provided by (or used in) financing activities		<u>7,852</u>	<u>9,310</u>
Net increase (decrease) in cash held		<u>(174)</u>	<u>(1,643)</u>
plus: cash & cash equivalents at beginning of period		250	1,893
Cash and cash equivalents held at end of period	9a	<u>76</u>	<u>250</u>

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



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies

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

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

(1) Basis of preparation

1.1 Compliance with Australian Accounting Standards

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

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

1.2 Historical cost convention

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

1.2 Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates and requires management to exercise its judgement in applying Council's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are specifically referred to in the relevant sections of this Note.

1.3 Rounding

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

(2) The local government reporting entity

City of Mount Gambier is incorporated under the SA Local Government Act 1999 and has its principal place of business at 10 Watson Terrace, Mount Gambier. These consolidated financial statements include the Council's direct operations and all entities through which Council controls resources to carry on its functions.

(3) Income recognition

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

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

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

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

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

	Cash Payment Received	Annual Allocation	Difference
2020/21	\$3,410,267	\$3,381,972	+ \$28,295
2021/22	\$5,134,125	\$3,891,585	+ \$1,242,540
2022/23	\$5,541,926	\$4,227,169	+ \$1,314,757

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

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

Construction contracts

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

(4) Cash, cash equivalents and other financial instruments

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

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

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

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

(5) Inventories

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

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

(6) Infrastructure, property, plant and equipment

6.1 Initial recognition

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

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

6.2 Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life. Examples of capitalisation thresholds applied during the year are given in Note 6. No capitalisation threshold is applied to the acquisition of land or interests in land or the Riddoch art Collection.

6.3 Subsequent recognition

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

6.4 Depreciation of non-current assets

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

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

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

6.5 Impairment

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

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

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

(7) Payables

7.1 Goods & Services

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

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

7.2 Payments Received in Advance & Deposits

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

(8) Borrowings

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

(9) Employee benefits

9.1 Salaries, Wages & Compensated Absences

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

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

Weighted avg. discount rate 3.85% (2022, 3.29%)

Weighted avg. settlement period 1 year (2022, 1 year)

9.2 Superannuation

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

(10) Provisions for reinstatement, restoration and rehabilitation

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

Although estimated future costs are based on a closure plan, such plans are based on current environmental requirements which may change. Council's policy to maximise recycling is extending the operational life of these facilities, and significant uncertainty exists in the estimation of the future closure date.

As at the time of preparing these financial statements, the Council is undertaking a strategic review of its waste management and disposal activities which may impact on the projected remaining filling life of the landfill activities and the landfill capping and post closure strategies. The Council is in the process of developing a waste management strategic plan which may impact on the scope and timing of future works connected with the closure and rehabilitation of the landfill site. The Council is expecting to have all capping and closure liability estimates reviewed in FY 24 in line with the adoption of the waste management strategy. Consequently, the value of the landfill liability provisions may be subject to material changes once the review of the landfill capping and closure estimates is completed in line with the adoption of the waste management strategy. Users of the financial statements should be aware of this potential material change in the future and in context of the key assumptions and estimates relating to the landfill liabilities recorded on the Balance Sheet.

(11) Leases

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

Council as a lessee

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 1. Summary of Significant Accounting Policies (continued)

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

i) Right-of-Use-Assets

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

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

Office equipment	3 to 5 years
Land Improvements	4 years

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

ii) Lease Liabilities

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

(12) New accounting standards and UIG interpretations

The Council applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. New standards and amendments relevant to the Council are listed below. The Council has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2023, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 2. Income

\$ '000	2023	2022
(a) Rates		
General rates		
General rates	20,874	19,944
Less: mandatory rebates	(240)	(236)
Less: discretionary rebates, remissions and write-offs	(18)	(17)
Total general rates	20,616	19,691
Other rates (including service charges)		
Landscape levy	1,240	1,213
Waste collection	2,916	2,790
Total other rates (including service charges)	4,156	4,003
Other charges		
Penalties for late payment	93	81
Legal and other costs recovered	28	47
Total other charges	121	128
Total rates	24,893	23,822
(b) Statutory charges		
Development Act fees	200	189
Town planning fees	171	147
Animal registration fees and fines	245	195
Parking fines / expiation fees	44	20
Other licences, fees and fines	71	82
Total statutory charges	731	633
(c) User charges		
Cemetery/crematoria fees	834	869
Hall and equipment hire	19	8
Sales - general	164	98
Sundry	305	199
Wulanda	1,310	-
Green Waste Collection	35	38
Landfill Charges	3,930	4,012
Sales - Waste Transfer Station	350	291
Total user charges	6,947	5,515
(d) Investment income		
Local Government Finance Authority	48	13
- Banks and other	1	1
Total investment income	49	14

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 2. Income (continued)

\$ '000	2023	2022
(e) Reimbursements		
Private works	9	16
Wulanda	649	–
Other	97	49
Total reimbursements	755	65
(f) Other income		
Insurance and other recoupments - infrastructure, property, plant and equipment	95	155
Sundry	285	261
Donations	64	59
Open Space Contributions	819	23
Total other income	1,263	498
(g) Grants, subsidies and contributions		
Amounts received specifically for new or upgraded assets	5,808	17,940
Total	5,808	17,940
Other grants, subsidies and contributions - capital		
Untied - Local Roads and Community Infrastructure	904	716
Boundary Roads Contributions	167	–
Total Other grants, subsidies and contributions - capital	1,071	716
Other grants, subsidies and contributions		
Regional Transport Subsidy Program	159	50
Untied - Financial Assistance Grant	5,542	5,134
Roads to Recovery	421	409
Library and communications	165	172
Sundry	115	134
Total other grants, subsidies and contributions	6,402	5,899
Total grants, subsidies and contributions	13,281	24,555
(i) Sources of grants		
Commonwealth Government	6,267	10,162
State Government	6,771	13,877
Other	243	516
Total	13,281	24,555

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 2. Income (continued)

\$ '000	2023	2022
(h) Conditions over grants and contributions		
Grants and contributions which were obtained on the condition that they be expended for specified purposes or in a future period, but which are not yet expended in accordance with those conditions, are as follows:		
Unexpended at the close of the previous reporting period	435	427
Less:		
<i>Expended during the current period from revenues recognised in previous reporting periods</i>		
Pine Hall / O'Leary Road	(363)	(8)
Tertiary Education	(16)	(20)
State Bicycle	(19)	(19)
Subtotal	(398)	(47)
Plus:		
<i>Amounts recognised as revenues in this reporting period but not yet expended in accordance with the conditions</i>		
Pine Hall / O'Leary Road	–	2
Tertiary Education	24	22
State Bicycle	–	31
Pinehall Avenue (O'Leary Road to Sunnybrae Road)	208	–
Margaret Worth Exhibition	25	–
Subtotal	257	55
Unexpended at the close of this reporting period	294	435
Net increase (decrease) in assets subject to conditions in the current reporting period	(141)	8
(i) Physical resources received free of charge		
Land and improvements	60	24
Roads	707	1,052
Other	–	10
Footpaths & Kerbing	287	674
Total physical resources received free of charge	1,054	1,760



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 3. Expenses

\$ '000	Notes	2023	2022
(a) Employee costs			
Salaries and wages		11,755	11,095
Employee leave expense		1,405	863
Superannuation	16	1,352	1,268
Workers' compensation insurance		313	305
Other employee related costs		40	49
Less: capitalised and distributed costs		(500)	(490)
Total operating employee costs		14,365	13,090
Total number of employees (full time equivalent at end of reporting period)			
		135	135
(b) Materials, contracts and other expenses			
(i) Prescribed expenses			
Auditor's remuneration			
- Auditing the financial reports		27	25
Bad and doubtful debts		-	(72)
Elected members' expenses		218	224
Election expenses		166	9
Subtotal - prescribed expenses		411	186
(ii) Other materials, contracts and expenses			
Contractors		6,487	4,153
Energy		1,716	916
Legal expenses		193	201
Levies Paid to Government - Regional Landscape levy		1,241	1,209
Sundry		806	779
Contributions/Donations		460	464
Insurance		378	325
Levies Paid to Government - EPA, ESL & Dog Levies		1,985	2,065
Materials		1,413	1,035
Training		178	185
Water		158	121
Communication		274	263
Consultants		519	388
Licences and Subscriptions		1,241	944
Subtotal - Other material, contracts and expenses		17,049	13,048
Total materials, contracts and other expenses		17,460	13,234

Please note that the Contractors category has been restated in 2022 to be consistent with 2023 to include Maintenance.

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 3. Expenses (continued)

\$ '000	2023	2022
(c) Depreciation, amortisation and impairment		
(i) Depreciation and amortisation		
Buildings and other structures	3,525	2,895
Infrastructure		
Stormwater Drainage	125	117
Kerbing and Footpaths	1,238	1,206
Roads	2,020	1,932
Carparks	256	257
Right-of-use assets	196	188
Plant and equipment	692	788
Waste Management	1,754	842
Office Equipment	208	115
Other assets	47	139
Subtotal	10,061	8,479
(ii) Impairment		
Capital Work In Progress	58	-
Other Assets	57	-
Subtotal	115	-
Total depreciation, amortisation and impairment	10,176	8,479
(d) Finance costs		
Interest on loans	1,079	126
Interest on leases	15	10
Unwinding of present value discounts	-	222
Total finance costs	1,094	358

Note 4. Asset disposal and fair value adjustments

\$ '000	2023	2022
Infrastructure, property, plant and equipment		
(i) Assets renewed or directly replaced		
Proceeds from disposal	40	112
Less: carrying amount of assets sold	(404)	(899)
Gain (loss) on disposal	(364)	(787)
(ii) Assets surplus to requirements		
Proceeds from disposal	20	-
Less: carrying amount of assets sold	(20)	-
Gain (loss) on disposal	-	-
Net gain (loss) on disposal or revaluation of assets	(364)	(787)



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 5. Current assets

\$ '000	2023	2022
(a) Cash and cash equivalent assets		
Cash on hand and at bank	76	250
<u>Total cash and cash equivalent assets</u>	<u>76</u>	<u>250</u>
(b) Trade and other receivables		
Rates - general and other	886	796
Accrued revenues	500	-
Debtors - general	2,603	1,411
GST recoupment	70	655
Prepayments	96	114
Subtotal	<u>4,155</u>	<u>2,976</u>
Less: provision for expected credit losses	-	(2)
<u>Total trade and other receivables</u>	<u>4,155</u>	<u>2,974</u>
(c) Inventories		
Stores and materials	37	41
Trading stock	30	23
<u>Total inventories</u>	<u>67</u>	<u>64</u>



City of Mount Gambier

Notes to and forming part of the Financial Statements
for the year ended 30 June 2023

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

Infrastructure, property, plant and equipment

		as at 30/06/22				Asset movements during the reporting period										as at 30/06/23			
		Fair Value Level	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount	Asset Additions New / Upgrade	Asset Additions Renewals	WDV of Asset Disposals	Depreciation Expense (Note 3)	Impairment Loss (Recognised in P/L) (Note 3)	Impairment Loss (Recognised in Equity) (Note 9)	WIP Transfers	Adjustments	Revaluation Increments to Equity (ARR) (Note 9)	At Fair Value	At Cost	Accumulated Depreciation	Carrying amount
\$ '000																			
Waste Management	3	1,683	8,548	(8,086)	2,145	–	–	–	(1,754)	–	–	–	–	–	(1)	10,231	–	(9,841)	390
Capital work in progress		–	57,789	–	57,789	–	1,132	1,119	–	–	(58)	–	(57,820)	–	–	–	2,362	–	2,362
Office Equipment		–	2,288	(1,609)	679	–	1,887	30	–	(208)	–	–	–	–	–	–	4,206	(1,818)	2,388
Land	2	15,601	–	–	15,601	–	–	–	–	–	–	–	–	–	2,438	18,039	–	–	18,039
Land	3	37,683	133	–	37,816	–	59	–	(32)	–	–	–	–	–	6,884	44,727	–	–	44,727
Riddoch Collection	3	3,515	10	–	3,525	–	–	–	–	–	–	–	–	–	831	4,356	–	–	4,356
Buildings and other structures	2	3,987	33	(2,131)	1,889	–	–	–	–	(101)	–	–	–	–	–	3,987	33	(2,232)	1,788
Buildings and other structures	3	102,030	1,343	(50,805)	52,768	–	5,025	889	(9)	(3,424)	–	–	57,043	–	–	101,198	64,300	(53,206)	112,292
Stormwater Drainage	3	8,022	127	(2,471)	5,678	–	1,693	11	–	(125)	–	–	–	–	–	8,022	1,831	(2,596)	7,257
Kerbing and Footpaths	3	74,038	3,533	(20,981)	56,590	–	1,836	411	(115)	(1,238)	–	–	39	–	16,757	95,653	–	(21,373)	74,280
Roads (sub-base, pavement, seal, traffic lights)	3	66,929	5,851	(22,021)	50,759	–	723	1,654	(247)	(1,089)	–	–	69	–	63,988	149,113	–	(34,156)	114,957
Public Lighting		–	–	–	–	–	881	243	–	(24)	–	–	469	–	–	–	1,573	(24)	1,549
Infrastructure - Other (Retaining walls, safety barriers)		–	248	(8)	240	–	19	145	–	(7)	–	–	–	–	–	–	412	(15)	397
Carparks	3	10,451	127	(3,122)	7,456	–	35	–	–	(256)	–	–	–	–	–	10,451	162	(3,378)	7,235
Right-of-use assets		–	593	(349)	244	–	–	229	–	(196)	–	–	–	–	–	–	614	(337)	277
Plant and equipment		–	9,385	(3,304)	6,081	–	730	87	(21)	(692)	–	–	–	–	–	–	10,151	(3,966)	6,185
Other assets		–	4,408	(2,497)	1,911	–	–	45	–	(47)	(57)	(575)	–	–	–	–	1,590	(313)	1,277
Total infrastructure, property, plant and equipment			323,939	94,416	(117,184)	301,171	13,965	4,898	(424)	(10,061)	(115)	(575)	–	–	90,897	445,777	87,234	(133,255)	399,756
Comparatives			326,726	49,881	(113,185)	263,422	39,586	5,864	(899)	(8,479)	–	–	–	1,676	–	323,939	94,416	(117,184)	301,171

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

Valuation of assets

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

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Information on valuations

Fair value hierarchy level 2 valuations - Certain land, and the buildings and structures thereon, are shown above as being based on fair value hierarchy level 2 valuation inputs. They are based on prices for similar assets in an active market, with directly or indirectly observable adjustments for specific advantages or disadvantages attaching to the particular asset.

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

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

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

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

Other information

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

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

Highest and best use

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

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

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

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

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

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

Transition to AASB 13 - Fair Value Measurement

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

Capitalisation Thresholds

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

	\$
Office Furniture & Equipment	1,000
Other Plant & Equipment	5,000
Buildings - new construction/extensions	5,000
Park & Playground Furniture & Equipment	1,000
Road construction & reconstruction	5,000
Paving & Footpaths, Kerb & Gutter	5,000
Stormwater Drainage	5,000
Waste Management	5,000

Estimated Useful Lives

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

<i>Plant, Furniture & Equipment</i>	
Office Equipment	3 to 10 years
Vehicles and Road-making Equipment	3 to 25 years
Other Plant & Equipment	3 to 30 years
<i>Building & Other Structures</i>	
Buildings	15 to 100 years
Park Structures	20 to 30 years
Playground Equipment	20 to 30 years
Benches, Seats, etc	10 to 30 years
<i>Waste Management</i>	
Landfill assets	capacity in use
<i>Infrastructure</i>	
Sealed Roads - Surface	12 to 40 years
Sealed Roads - Structure	30 to 150 years
Unsealed Roads	40 to 75 years
Paving and Footpaths, Kerb and Gutter	10 to 70 years
Carparks	20 - 60 years
Public Lighting	20 years
Stormwater Drainage	50 to 70 years

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

Other Assets

Artworks and Historical Collections

indefinite

Right-of-Use Assets (refer to Note 15)

life of lease

Land & Land Improvements

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

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

Land was last revalued in 2023 based on Valuer General's valuations provided to Council.

Buildings & Other Structures

Buildings and other structures were revalued as at 30 June 2020 by Mitch Ekonomopoulos of AssetVal Pty Ltd. Revaluations occur every four years. All additions are initially recorded at cost. The next valuation will be undertaken by AssetVal Pty Ltd as at 1 July 2023.

Infrastructure

Infrastructure assets including footpaths, kerbs and guttering, and road assets were revalued as at 30 June 2023 by an independent valuer Antonio Blefari MIE(Aust) NER iinSights Pty Ltd. There were no assets valued where it was assumed that the highest and best use was other than its current use.

The valuation of stormwater drainage and carpark assets will be undertaken by an independent valuer as at 1 July 2023.

Waste Management - Landfill

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

Plant, Furniture & Equipment

These assets are recognised on the cost basis.

Artworks and Historical Collections

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

All other Assets

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



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 7. Liabilities

\$ '000	2023 Current	2023 Non Current	2022 Current	2022 Non Current
(a) Trade and other payables				
Goods and services	2,477	–	7,645	–
Payments received in advance	435	–	396	–
- Grants and contributions - capital	252	–	401	–
- Other	43	–	37	–
Accrued expenses - employee entitlements	400	–	331	–
Accrued expenses - other	1,068	–	398	–
Deposits, retentions and bonds	108	–	86	–
Other	18	–	37	–
Total trade and other payables	4,801	–	9,331	–
(b) Borrowings				
Loans	2,930	28,467	1,100	22,202
Lease liabilities	158	52	122	109
Total Borrowings	3,088	28,519	1,222	22,311
All interest bearing liabilities are secured over the future revenues of the Council				
(c) Provisions				
Employee entitlements (including oncosts)	3,011	167	2,784	179
Future reinstatement / restoration, etc	–	3,328	–	3,328
Total provisions	3,011	3,495	2,784	3,507



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 8. Reserves

	as at 30/06/22				as at 30/06/23
\$ '000	Opening Balance	Increments (Decrements)	Transfers	Impairments	Closing Balance
(a) Asset revaluation reserve					
Land	42,801	9,322	-	-	52,123
Buildings and other structures	53,310	-	-	-	53,310
Infrastructure	76,026	80,745	-	-	156,771
Plant and equipment	770	-	-	-	770
Minor Plant	34	-	-	-	34
Waste Management	2,926	(1)	-	-	2,925
Other assets	4,985	831	-	(575)	5,241
Total asset revaluation reserve	180,852	90,897	-	(575)	271,174
Comparatives	175,462	-	5,390	-	180,852

	as at 30/06/22				as at 30/06/23
\$ '000	Opening Balance	Tfrs to Reserve	Tfrs from Reserve	Other Movements	Closing Balance
(b) Other reserves					
Mount Gambier Cemetery	711	-	-	-	711
Mayor Christmas Appeal	92	5	-	-	97
Christmas Parade	-	-	-	-	-
Junior Sports Assistance Fund	122	6	-	-	128
Waste Management	150	120	-	-	270
Open Space	297	819	-	-	1,116
Total other reserves	1,372	950	-	-	2,322
Comparatives	884	488	-	-	1,372

Purposes of reserves

Asset revaluation reserves

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

Other reserves

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

Mount Gambier Cemetery

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

Mayor Christmas Appeal

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

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 8. Reserves (continued)

Christmas Parade

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

Junior Sports Assistance Fund

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

Waste Management

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

Open Space

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

Note 9. Reconciliation to Statement of Cash Flows

\$ '000	Notes	2023	2022
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(a) Reconciliation of cash

Cash assets comprise highly liquid investments with short periods to maturity subject to insignificant risk of changes of value. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

Total cash and equivalent assets	5	76	250
Balances per Statement of Cash Flows		76	250

(b) Reconciliation of change in net assets to cash from operating activities

Net surplus/(deficit)	5,514	20,914
Non-cash items in income statements		
Depreciation, amortisation and impairment	10,176	8,479
Non-cash asset acquisitions	(1,054)	(8,252)
Grants for capital acquisitions treated as investing activity	(6,213)	(20,443)
Net (gain)/loss on disposals	364	787
	8,787	1,485
Add (less): changes in net current assets		
Net (increase)/decrease in receivables	(1,179)	1,759
Change in allowances for under-recovery of receivables	2	154
Net (increase)/decrease in inventories	(3)	(17)
Net (increase)/decrease in other assets	(4)	-
Net increase/(decrease) in trade and other payables	1,469	6,543
Net increase/(decrease) in unpaid employee benefits	215	(107)
Net increase/(decrease) in other provisions	-	(568)
Net cash provided by (or used in) operations	9,287	9,249

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

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

(c) Non-cash financing and investing activities

Acquisition of assets by means of:

Physical resources received free of charge	2	1,054	1,760
Amounts recognised in income statement		1,054	1,760

Non-cash financing (other)

Leases		229	203
Estimated future reinstatement etc. costs		–	264
Total non-cash financing and investing activities		1,283	2,227

(d) Financing arrangements

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

Bank overdrafts	250	250
Corporate credit cards	30	30
LGFA cash advance debenture facility	21,500	30,000

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



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 10(a). Functions

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

\$ '000	INCOME		EXPENSES		OPERATING SURPLUS (DEFICIT)		GRANTS INCLUDED IN INCOME		TOTAL ASSETS HELD (CURRENT AND NON-CURRENT)	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Functions/Activities										
Administration / Support Services	29,541	28,044	8,634	6,880	20,907	21,164	5,542	5,148	9,675	9,226
Community Support	858	875	1,257	1,354	(399)	(479)	—	—	14,432	13,447
Culture	401	390	4,702	4,245	(4,301)	(3,855)	207	203	34,782	32,827
Economic Development	150	162	2,218	2,060	(2,068)	(1,898)	—	34	4,116	3,840
Environment	6,158	5,834	10,904	10,192	(4,746)	(4,358)	178	50	8,865	10,361
Recreation	3,128	866	7,950	3,897	(4,822)	(3,031)	957	771	130,286	113,266
Regulatory Services	1,539	587	1,253	1,002	286	(415)	—	—	13	18
Transport	624	444	3,809	3,788	(3,185)	(3,344)	589	409	189,666	106,662
Engineering / Indirect	(295)	(56)	2,351	1,721	(2,646)	(1,777)	—	—	7,999	8,186
Unclassified Activities	—	—	—	—	—	—	—	—	—	—
Other	7	16	17	22	(10)	(6)	—	—	4,220	6,626
Total Functions/Activities	42,111	37,162	43,095	35,161	(984)	2,001	7,473	6,615	404,054	304,459

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



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 10(b). Components of functions

The activities relating to Council functions are as follows:

Administration / Support Services

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

Community Support

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

Culture

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

Economic development

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

Environment

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

Recreation

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

Regulatory services

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

Transport

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

Engineering / Indirect

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

Note 11. Financial instruments

Recognised financial instruments

Bank, deposits at call, short term deposits

Accounting Policy:

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

Terms & Conditions:

Deposits are returning fixed interest rates between 1.05% and 4.30% (2022: 0.3% and 1.05%).

Carrying Amount:

Approximates fair value due to the short term to maturity.

Receivables - rates and associated charges

Accounting Policy:

continued on next page ...

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 11. Financial instruments (continued)

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

Terms & Conditions:

Secured over the subject land, arrears attract interest of 0.48% (2022: 0.42%). Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State.

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - fees and other charges

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value (after deduction of any allowance).

Receivables - other levels of government

Accounting Policy:

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

Terms & Conditions:

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

Carrying Amount:

Approximates fair value.

Liabilities - creditors and accruals

Accounting Policy:

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

Terms & Conditions:

Liabilities are normally settled on 30 day terms.

Carrying Amount:

Approximates fair value.

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 11. Financial instruments (continued)

Liabilities - interest bearing borrowings

Accounting Policy:

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

Terms & Conditions:

Secured over future revenues, borrowings are repayable (describe basis); interest is charged at fixed (or variable - describe) rates between 1.55% and 6.05% (2022: 1.3% and 5.97%).

Carrying Amount:

Approximates fair value.

Liabilities - leases

Accounting Policy:

Accounted for in accordance with AASB 16 as stated in Note 17.

\$ '000	Due < 1 year	Due > 1 year and ≤ 5 years	Due > 5 years	Total Contractual Cash Flows	Carrying Values
Financial assets and liabilities					
2023					
Financial assets					
Cash and cash equivalents	76	-	-	76	76
Receivables	3,478	-	-	3,478	4,059
Total financial assets	3,554	-	-	3,554	4,135
Financial liabilities					
Non-current borrowings	5,545	16,675	11,050	33,270	28,467
Payables	4,071	-	-	4,071	3,038
Current borrowings	4,196	-	-	4,196	2,930
Lease liabilities	158	52	-	210	210
Total financial liabilities	13,970	16,727	11,050	41,747	34,645
Total financial assets and liabilities	17,524	16,727	11,050	45,301	38,780
2022					
Financial assets					
Cash and cash equivalents	250	-	-	250	250
Receivables	2,860	-	-	2,860	2,860
Total financial assets	3,110	-	-	3,110	3,110
Financial liabilities					
Non-current borrowings	6,350	8,139	12,630	27,119	22,202
Payables	8,498	-	-	8,498	8,498
Current borrowings	1,925	-	-	1,925	1,100
Lease liabilities	122	109	-	231	231
Total financial liabilities	16,895	8,248	12,630	37,773	32,031
Total financial assets and liabilities	20,005	8,248	12,630	40,883	35,141

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 11. Financial instruments (continued)

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

\$ '000	2023		2022	
	Weighted Avg Interest Rate	Carrying Value	Weighted Avg Interest Rate	Carrying Value
Other variable rates	5.51%	5,545	2.42%	6,350
Fixed interest rates	5.12%	26,062	5.19%	17,183
		31,607		23,533

Net fair value

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

Risk exposures

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

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

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

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

Note 12. Capital expenditure and investment property commitments

\$ '000	2023	2022
---------	------	------

Capital commitments

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Buildings & Other Structures	1,135	6,579
- Roads	10	-
Plant and equipment	965	542
Waste	3,203	-
Other	-	341
	5,313	7,462

These expenditures are payable:

Not later than one year	5,313	7,462
	5,313	7,462



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 13. Financial indicators

\$ '000	Amounts 2023	Indicator 2023	Indicators 2022	Indicators 2021
Financial Indicators overview <i>These Financial Indicators have been calculated in accordance with Information paper 9 - Local Government Financial Indicators prepared as part of the LGA Financial Sustainability Program for the Local Government Association of South Australia.</i>				
1. Operating Surplus Ratio				
Operating surplus	(984)	(2.3)%	5.4%	(5.2)%
Total operating income	42,111			
<i>This ratio expresses the operating surplus as a percentage of total operating revenue.</i>				
2. Net Financial Liabilities Ratio				
Net financial liabilities	38,683	92%	97%	62%
Total operating income	42,111			
<i>Net Financial Liabilities are defined as total liabilities less financial assets (excluding equity accounted investments in Council businesses). These are expressed as a percentage of total operating revenue.</i>				
Adjusted Operating Surplus Ratio				
Operating surplus	(2,299)	(5.6)%	2.1%	(5.3)%
Total operating income	40,796			
Adjustments to Ratios				
<i>In recent years the Federal Government has made advance payments prior to 30th June from future year allocations of financial assistance grants, as explained in Note 1. These Adjusted Ratios correct for the resulting distortion in key ratios for each year and provide a more accurate basis for comparison.</i>				
Adjusted Net Financial Liabilities Ratio				
Net financial liabilities	43,038	105%	108%	67%
Total operating income	40,796			
3. Asset Renewal Funding Ratio				
Asset renewals	5,370			
Infrastructure and Asset Management Plan required expenditure	6,077	88%	79%	84%
<i>Asset renewals expenditure is defined as capital expenditure on the renewal and replacement of existing assets relative to the optimal level planned, and excludes new capital expenditure on the acquisition of additional assets.</i>				
<i>It should be noted that the Infrastructure and Asset Management Plan required expenditure has been restated in 2023 for the change in accounting policy where library books are no longer treated as capital expenditure.</i>				

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 13. Financial indicators (continued)

Financial indicators - graphs

1. Operating Surplus Ratio



Purpose of operating surplus ratio

This indicator is to determine the percentage the operating revenue varies from operating expenditure

Commentary on 2022/23 result

2022/23 ratio (2.3)%

The operating surplus ratio in 2023 is lower than the previous year driven by the first year of Wulanda operations, and impact of the higher actual inflation on operating expenditure

The target as per Council's Treasury Management Policy is a ratio of greater or equal to 0.0% by 2026/27.

2. Net Financial Liabilities Ratio



Purpose of net financial liabilities ratio

This indicator shows the significance of the net amount owed to others, compared to operating revenue

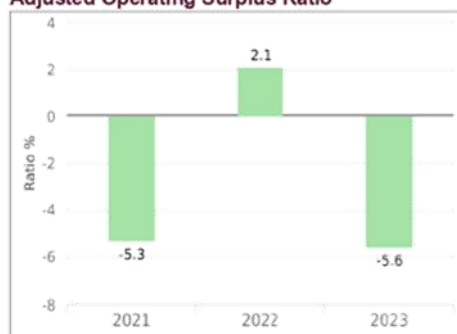
Commentary on 2022/23 result

2022/23 ratio 92%

The 2023 ratio is lower than the previous year mainly due to increased revenue (grants and Wulanda operations) which more than offsets the impact of increased borrowings and lower creditors/higher debtors.

Due to timing of the Wulanda project and associated borrowings the ratio is lower than the target of lower than 100% by 2026/27

Adjusted Operating Surplus Ratio



Purpose of adjusted operating surplus ratio

This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2022/23 result

2022/23 ratio (5.6)%

The adjusted operating ratio is more in line with expectations following the adjustment to remove the impact of the brought forward Financial Assistance Grants.

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 13. Financial indicators (continued)

Adjusted Net Financial Liabilities Ratio



Purpose of adjusted net financial liabilities ratio

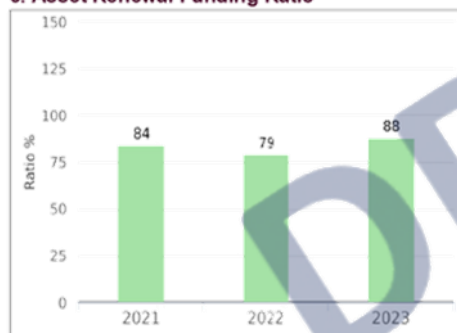
This indicator is to determine the percentage the operating revenue (adjusted for timing differences in the Financial Assistance Grant) varies from operating expenditure

Commentary on 2022/23 result

2022/23 ratio 105%

Aligned with the unadjusted Net Financial Liabilities ratio above, the decrease in the revenue is driven by the greater increase in operating revenue (excluding the impact of Financial Assistance Grants).

3. Asset Renewal Funding Ratio



Purpose of asset renewal funding ratio

This indicator aims to determine if assets are being renewed and replaced in an optimal way

Commentary on 2022/23 result

2022/23 ratio 88%

Council develop and adopt revised Asset Management Plans annually which provide guidance of when and how much needs to be spent to maintain Council's infrastructure.

Disruptions and supply shortages including equipment, materials and labour have impacted on the timing of the delivery of planned works. These projects are expected to be completed in the 2023/24 financial year.



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 14. Uniform presentation of finances

\$ '000	2023	2022
The following is a high level summary of both operating and capital investment activities of the Council prepared on a simplified Uniform Presentation Framework basis.		
All Councils in South Australia have agreed to summarise annual budgets and long-term financial plans on the same basis.		
The arrangements ensure that all Councils provide a common 'core' of financial information, which enables meaningful comparisons of each Council's finances.		
<u>Income</u>		
Rates	24,893	23,822
Statutory charges	731	633
User charges	6,947	5,515
Grants, subsidies and contributions - capital	1,071	716
Grants, subsidies and contributions - operating	6,402	5,899
Investment income	49	14
Reimbursements	755	65
Other income	1,263	498
Total Income	42,111	37,162
<u>Expenses</u>		
Employee costs	14,365	13,090
Materials, contracts and other expenses	17,460	13,234
Depreciation, amortisation and impairment	10,176	8,479
Finance costs	1,094	358
Total Expenses	43,095	35,161
Operating surplus / (deficit)	(984)	2,001
Timing adjustment for grant revenue	17	-
Adjusted Operating surplus / (deficit)	(967)	2,001
Net outlays on existing assets		
Capital expenditure on renewal and replacement of existing assets	(5,370)	(5,623)
Add back depreciation, amortisation and impairment	10,176	8,479
Add back proceeds from sale of replaced assets	40	112
	4,846	2,968
Net outlays on new and upgraded assets		
Capital expenditure on new and upgraded assets (including investment property and real estate developments)	(18,216)	(35,134)
Add back amounts received specifically for new and upgraded assets	5,142	20,443
Add back proceeds from sale of surplus assets (including investment property, real estate developments and non-current assets held for resale)	20	-
	(13,054)	(14,691)
Annual net impact to financing activities (surplus/(deficit))	(9,175)	(9,722)



City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 15. Leases

(i) Council as a lessee

Terms and conditions of leases

Council entered contracts as a lessee for various IT equipment.

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

(a) Right of use assets

\$ '000	Office	Other	Total
2023			
Opening balance	244	–	244
Additions to right-of-use assets	229	–	229
Depreciation charge	(195)	–	(195)
Balance at 30 June	278	–	278
2022			
Opening balance	217	11	228
Additions to right-of-use assets	204	–	204
Depreciation charge	(177)	(11)	(188)
Balance at 30 June	244	–	244

(b) Lease liabilities

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

\$ '000	2023	2022
Balance at 1 July	231	228
Additions	229	202
Accretion of interest	15	10
Payments	(265)	(209)
Balance at 30 June	210	231
Classified as:		
Current	158	122
Non-current	52	109

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

The Group had total cash outflows for leases of \$210,000.

The following are the amounts recognised in profit or loss:

Depreciation expense of right-of-use assets	195	188
Interest expense on lease liabilities	15	10
Total amount recognised in profit or loss	210	198

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 15. Leases (continued)

(ii) Council as a lessor

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

Note 16. Superannuation

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

Accumulation only members

Accumulation only members receive both employer and employee contributions on a progressive basis. Employer contributions are based on a fixed percentage of ordinary time earnings in accordance with superannuation guarantee legislation (10.50% in 2022/23; 10.0% in 2021/22) and enterprise bargaining agreement (1% in 2023 and 2022). No further liability accrues to the Council as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

Salarylink (Defined Benefit Fund) members

Salarylink is a defined benefit scheme where the benefit payable is based on a formula determined by the member's contribution rate, number of years and level of contribution and final average salary. Council makes employer contributions to Salarylink as determined by the Fund's Trustee based on advice from the appointed Actuary. The rate is currently 6.3% (6.3% in 2021/22) of "superannuation" salary.

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

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

The most recent actuarial investigation was conducted by the Fund's actuary, Louise Campbell, FIAA, of Willis Towers Watson as at 30 June 2020. The Trustee has determined that the current funding arrangements are adequate for the expected Salarylink liabilities. However, future financial and economic circumstances may require changes to Council's contribution rates at some future time.

Contributions to other superannuation schemes

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

Note 17. Contingencies and assets/liabilities not recognised in the balance sheet

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

1. Land under roads

As reported in the Financial Statements, Council is of the opinion that it is not possible to attribute a value sufficiently reliably for these assets to qualify for recognition, and accordingly land under roads has not been recognised in the reports. Land acquired

continued on next page ...

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City of Mount Gambier

Notes to and forming part of the Financial Statements

for the year ended 30 June 2023

Note 17. Contingencies and assets/liabilities not recognised in the balance sheet

for road purposes during the year is initially recognised at cost, but transferred to fair value at reporting date, effectively writing off the expenditure.

At reporting date, Council controlled 231.9 km of road reserves of average width 20 metres.

2. Potential insurance losses

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

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

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

3. Legal expenses

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

Note 18. Related party transactions

Key management personnel

Transactions with key management personnel

The Key Management Personnel of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 20 persons were paid the following total compensation:

\$ '000	2023	2022
The compensation paid to key management personnel comprises:		
Salaries, allowances & other short term benefits	1,327	1,005
Post-employment benefits	119	82
Long-term benefits	41	–
Total	1,487	1,087

Key management personnel and/or relatives of key management personnel own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. These purchases were made on normal commercial terms on an arm's length basis. No individual purchases from these businesses exceeded \$223.35 with the total cumulative spend for 22/23 being \$2,227.94.

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

No key management personnel and/or relatives of key management personnel are member in organisations that receive Council support in the year for through community or sporting sponsorships.



City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Report - Financial Statements

DRAFT



City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2023

Independent Auditor's Report - Internal Controls

DRAFT



City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2023

Certification of Auditor Independence

To the best of our knowledge and belief, we confirm that, for the purpose of the audit of City of Mount Gambier Council for the year ended 30 June 2022 the Council's Auditor, Dean Newbery and Partners has maintained its independence in accordance with the requirements of the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Sarah Philpott
CHIEF EXECUTIVE OFFICER

Paul Duka
PRESIDING MEMBER, AUDIT AND RISK COMMITTEE

Date:

DRAFT



City of Mount Gambier

General Purpose Financial Statements

for the year ended 30 June 2023

Statement by Auditor

I confirm that, for the audit of the financial statements of City of Mount Gambier for the year ended 30 June 2022, I have maintained my independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Section 290, published by the Accounting Professional and Ethical Standards Board, in accordance with the *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011* made under that Act.

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

Samatha Creten

Dean Newbery

Date:

DRAFT





Executive Summary

23 October 2023

Mr Paul Duka
Independent Chairperson – Audit & Risk Committee
City of Mount Gambier
PO Box 56
Mount Gambier SA 5290

Dear Mr Duka

This report has been prepared for the Audit & Risk Committee of the City of Mount Gambier (**Council**) in relation to the 30 June 2023 external audit.

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

We are pleased to advise that subject to finalisation of the outstanding matters outlined within this report, our audit opinions for financial year ended 30 June 2023 are expected to be issued as unmodified audit reports.

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

Your sincerely
DEAN NEWBERY



Samantha Creten
Director



Executive Summary

Scope

The audit procedures have been designed and carried out by the audit team in accordance with Australian Auditing Standards and per the audit scope prescribed under the *Local Government Act 1999* and applicable Regulations for the financial year ended 30 June 2023.

Independence

In accordance with our professional ethical requirements, we confirm that, for the financial year ended 30 June 2023, all members of our audit team have maintained their independence in accordance with the requirements of APES 110 – Code of Ethics for Professional Accountants, Part 4A, published by the Accounting Professional and Ethical Standards Board and in accordance with *Local Government Act 1999* and the *Local Government (Financial Management) Regulations 2011*.

Audit Status

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

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

Subject to the finalisation of the matters outlined in this report, our audit opinion for the financial year ended 30 June 2023 will be signed without reference to any qualification.

Outstanding Matters

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

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

- Undertake a review of subsequent events since 30 June 2023
- Complete a review of the draft Financial Statements and obtain certified financial statements as required
- Receipt of the signed Management Representation Letter

Fraud & Litigation

As part of our audit we have discussed with the Administration:

- The safeguards in place in relation to the prevention and detection of fraud
- The existence of any fraud
- The existence of any litigation and claims

We have not become aware of any matter which should be brought to the Council or Audit & Risk Committee's attention



Summary of Misstatements

Below is a summary of adjustments and the status of matters identified. Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been adjusted. The following misstatements have been identified:

Matter No.	Description	Operating Surplus / (Deficit)	Net Surplus/(Deficit)	Assets Dr/(Cr)	Liabilities Dr/(Cr)	Equity Dr/(Cr)	Status of Matter
1.	Accrue for an invoice received in July 2023 related to June 2023 capital work	-	-	89,589	(89,589)	-	Uncorrected
2.	Reverse Landfill Liability movements due to unreliable information as discussed and agreed by Administration	55,531	55,531	(150,000)	205,531	55,531	Corrected
Summary Corrected Misstatements		55,531	55,531	(150,000)	205,531	55,531	
Summary Uncorrected Misstatements		-	-	89,589	89,589	-	

Matter No.	Matter	Description
1.	Accrued Expenses (Work-in-Progress)	A review of post balance date transactions identified one invoice totaling \$89,589 which related to capital work in progress expenditure that was incurred in June 2023 and was subsequently not accrued as a liability as at 30 June 2023 (i.e. recorded in FY23). This misstatement was considered immaterial given its omission has no impact on the Operating Surplus/(Deficit) or material impact on the recorded liabilities of the Council as at 30 June 2023 and consequently, no adjustments were recorded.
2.	Landfill Liability Obligations	A review of the landfill liability calculations along with subsequent discussions held with the Administration noted that there is a lack of reliable data and supporting movements recorded for the landfill capping and post closure remediation liabilities. The Administration advised that a waste management strategy is being developed and that as a part of this work being conducted, a review into the landfill capping and closure activities will be factored and impact on the eventual work to be undertaken at the landfill site which will impact on the assumptions to be included in the liability calculation. Consequently, we recommended that all adjustments to the liability be reversed and that additional disclosures be included in the financial statements to note the work being undertaken by Council and that the liability be updated in FY24 when more reliable information will be available.

Key Audit Matters Considered

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

Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Infrastructure, Property, Plant & Equipment	<ul style="list-style-type: none"> Reviewed Note 6 Infrastructure, Property, Plant & Equipment movements recorded against the General Ledger and relevant asset registers. Reviewed the Asset Revaluations processed for each asset class to ensure correct application per AASB 116. 	No exceptions were noted.
Work in Progress (WIP)	<ul style="list-style-type: none"> Reviewed WIP reconciliation to identify any long-term projects recorded to ensure correct ongoing classification of costs as WIP. Tested transactions allocated to WIP to ensure appropriate allocation of expenses incurred in line with AASB 116. 	No exceptions were noted.
Accounting for Landfill Cell Construction, Cell Remediation and Post Closure Obligations	<ul style="list-style-type: none"> Discussions with the Council Administration around the current landfill activities and waste management strategic plan. Reviewed documentation related to the Provision for landfill capping and post closure 	<p>Adjustments were recorded to the draft Financial Statements to address matters noted within this Report.</p> <p>Our Audit Report on the Council's financial statements will include an Emphasis of Matter paragraph which will draw the attention of users to the additional disclosures made to address this matter.</p> <p>Our Audit Opinion will not be modified in respect of this matter.</p>
Grants Revenue Received	<ul style="list-style-type: none"> Reviewed Grant Agreements and identified specific performance obligation to assess whether there were any unrecorded liabilities and the recognition of revenue was appropriate per accounting standards. Reviewed accounting treatment of funding received (e.g. Capital vs Operating) to ensure appropriate classification and disclosure per the Model Financial Statements. 	No exceptions were noted.



Key Audit Matters Considered

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

Key Audit Matter Description	Audit Work Undertaken	Outcomes of Testing Completed
Right-of-Use Assets & Lease Liability	<ul style="list-style-type: none">Reviewed supporting documentation related to Council's Right-of-use Assets and corresponding Lease Liabilities to ensure, where appropriate, any leases were included under AASB 16	No exceptions were noted.



Matters to be Addressed in Future Financial Years

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

Audit Matter	Audit Recommendation
Provision for Reinstatement, Restoration and Rehabilitation (Landfill)	<p>As at the time of preparing the Financial Statements, the Council was undertaking a strategic review of its waste management and disposal activities which may impact on the projected remaining filling life of the landfill activities and the landfill capping and post closure strategies. It is our understanding that the Council is in the process of developing a waste management strategic plan in conjunction with this strategic review and plan to have all capping and liability estimates reviewed in FY24 in line with the adoption of the waste management strategy.</p> <p>We recommend that the outcomes of the waste management strategic review and the waste management strategic plan be presented and endorsed by the Audit & Risk Committee to ensure any potential issues are identified and rectified in a timely manner, prior to the implementation of the strategic plan and any updates of estimates used in calculating the respective liabilities.</p>
Reserve Accounting Practices	<p>In discussions held with the Administration, we have advised that per the Model Financial Statements, negative reserve balances should not be recorded within the Equity section of the Statement of Financial Position (Balance Sheet). We note however that for management accounting and budget purposes, the Administration record a number of reserve accounts within the General Ledger to track and monitor the financial performance of programs which may result in some reserves being recorded as a negative equity reserve balance.</p> <p>We have recommended to the Administration that a review of the treatment and reporting of these Equity accounts be considered as part of ongoing management reporting so that the financial performance of these programs can continue to be tracked and monitored as desired outside of the financial reporting parameters of the annual financial statements to ensure continued conformity with the Model Financial Statements. Should any existing negative equity reserve accounts eventually record a positive balance, consideration should be given to their inclusion into the Financial Position in line with the requirements under the Model Financial Statements.</p>



Draft Audit Report

INDEPENDENT AUDITOR'S REPORT

To the members of City of Mount Gambier Report on the Audit of the Financial Report

Opinion

We have audited the accompanying financial report of the City of Mount Gambier (the Council), which comprises the statement of financial position as at 30 June 2023, statement of comprehensive income, statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the Certification of the Financial Statements.

In our opinion, the financial report presents fairly, in all material aspects, the financial position of the Council as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with the Local Government Act 1999 and the Local Government (Financial Management) Regulation 2011 and the Australian Accounting Standards.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 regarding disclosures concerning the treatment of Council's liability associated with landfill capping and restoration provisions. As a result of strategic review being undertaken on Council's waste management and disposal activities, this may result in a material movement to the landfill liabilities in future financial years. Our opinion is not modified in respect of this matter.

Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1999 and the Local Government (Financial Management) Regulations 2011 and for such internal control as Council determines is necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Draft Audit Report

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

DEAN NEWBERY

Samantha Creten
Director

XX/XX/2023



Draft Assurance Report on Internal Controls

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

Opinion

In our opinion, the City of Mount Gambier (the Council) has complied, in all material respects, with *Section 125 of the Local Government Act 1999* in relation to the Internal Controls established by the Council relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities so as to provide reasonable assurance that the financial transactions of the Council have been conducted properly and in accordance with law for the period 1 July 2022 to 30 June 2023.

Basis for Opinion

We have audited the Internal Controls of the Council under the requirements of *Section 125 of the Local Government Act 1999* in relation only to the Internal Controls established by the Council to ensure that financial transactions relating to the receipt, expenditure and investment of money, acquisition and disposal of property and incurring of liabilities for the period 1 July 2022 to 30 June 2023 have been conducted properly and in accordance with law.

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

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

The Council's Responsibility for the Internal Controls

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

Our Independence and Quality Control

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

Assurance Practitioner's Responsibilities

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

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

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

Draft Assurance Report on Internal Controls

Limitation on Use

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

Limitations of Controls

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

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

DEAN NEWBERY

Samantha Creten
Director

XX/XX/2023

DeanNewbery



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Reference: AF22/136
Enquiries to: Mrs J Scoggins

24 October 2023

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

Dear Samantha,

RE: MANAGEMENT REPRESENTATIONS: EXTERNAL AUDIT, FINANCIAL YEAR ENDED 30 JUNE 2023

This Management Representation letter is provided in connection with your audit examination of the General Purpose Financial Report (**2023 Financial Report**) of **City of Mount Gambier Council ('the Council')** for the financial year ended 30 June 2023.

We hereby confirm, at your formal request, that to the best of our knowledge and belief, the following representations relating to the 2023 Financial Report are correct.

In making these representations, we understand that they are provided to you in connection with your external audit of the Council for the year ended 30 June 2023 as prescribed by the Local Government Act 1999, for the express purpose of your expressing an opinion as to whether the 2023 Financial Report is, in all material respects, presented fairly in accordance with all applicable standards and requirements, including statutory. In making these representations, we have read and understood the standard unqualified Audit Opinion that would be normally expressed to the Council by you as is required under Section 129(3) of the Local Government Act 1999 for the financial year ended 30 June 2023. We therefore understand, without exception, the potential ramifications of making any representations to you that are not correct, to the best of our knowledge and belief as of the date of this letter.

We understand and acknowledge that it is the Council management's responsibility for the fair presentation of the 2023 Financial Report and that management, as appropriate, have approved the Financial Report. Accordingly, management of the Council are of the opinion that the 2023 Financial Report is free of material misstatements, including omissions.

1. Compliance with all Applicable Standards, including Statutory

The Financial Report of the Council has been prepared so as to present a true and fair view of the state of affairs of the Council as at 30 June 2023 and of the results of operations of the Council for the financial year ended on that date, including for all post balance date matters, as applicable.

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



ASSETS

Cash and Cash Equivalents

- (1) Cash on hand at balance date was represented by cash floats reconciled and on hand as at 30 June 2023.
- (2) Cash at bank at balance date represented the reconciled operating account(s) of the Council.
- (3) Short term deposits represented amounts held with the LGFA by the Council.

Rates and Other Receivables

- (1) Current rate receivables at balance date represented all outstanding amounts owed by rate payers.
- (2) Current other receivables at balance date represented all outstanding amounts owed by debtors other than rate payers.
- (3) Debts due at balance date that are known to be uncollectible have since been written-off and adequate provision has been made for impairment to cover allowances, discounts and losses that may be sustained by Council in the collection of the debts.

Inventories

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

Other Current Assets

- (1) Prepayments at balance date represented payments for goods and services to be received in the 30 June 2023 financial year.
- (2) There are no non-current assets held for sale.

Financial Assets – Loans to Community Groups

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

Investments Accounted using the Equity Method

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

Infrastructure, Property, Plant & Equipment and Depreciation

- (1) Infrastructure, property, plant and equipment at the 2023 balance date was represented by the following fair values, cost, accumulated depreciation and carrying amounts for



each class of asset, in accordance with all prescribed requirements and standards, as follows:

\$'000s	Fair Value Level 2023	At Fair Value 2023	At Cost 2023	Accumulated Depreciation 2023	Carrying amount 2023
Infrastructure, property, plant and equipment					
Waste Management	3	10,231	0	(9,841)	390
Capital work in progress		0	2,362	0	2,362
Office Equipment		0	4,206	(1,818)	2,388
Land	2	18,039	0	0	18,039
Land	3	44,727	0	0	44,727
Riddoch Collection	3	4,356	0	0	4,356
Buildings and other structures	2	3,987	33	(2,232)	1,788
Buildings and other structures	3	101,198	64,300	(53,206)	112,292
Stormwater Drainage	3	8,022	1,831	(2,596)	7,257
Kerbing and Footpaths	3	95,653	0	(21,373)	74,280
Roads (sub-base, pavement, seal, traffic lights)	3	149,113	0	(34,156)	114,957
Public Lighting		0	1,573	(24)	1,549
Infrastructure - Other (Retaining walls, safety barriers)		0	412	(15)	397
Carparks	3	10,451	162	(3,378)	7,235
Right-of-use assets		0	614	(337)	277
Plant and equipment		0	10,151	(3,966)	6,185
Other assets		0	1,590	(313)	1,277
Total infrastructure, property, plant and equipment		445,777	87,234	(133,255)	399,756
Comparatives		323,939	94,416	(117,184)	301,171

- (2) The additions during the 2023 financial year to Infrastructure (classes that have not been revalued), property, plant and equipment general ledger control accounts and asset registers represents the cost of additions and or improvements to existing facilities or replacements thereof. All units of property which have been replaced, sold, dismantled or otherwise disposed of, or which are permanently unusable, have been removed from general ledger and applicable asset register. Adequate provision, determined in a manner consistent with that of the preceding financial year, has been made to write-off depreciable assets over their useful economic working lives.

No circumstances have arisen which render adherence to the existing basis of depreciation misleading or inappropriate and that depreciation expense for the financial year ended 30 June 2023 is reliable.

- (3) All additions to depreciable assets represent actual additions or improvements of a capital nature, based on capitalisation thresholds consistently applied for the 2023 financial year and unchanged from the 2022 financial year.
- (4) Where the recorded carrying amount of any depreciable assets exceeds its recoverable amount as at 30 June 2023, that asset's recorded carrying amount has been written down to its recoverable amount.
- (5) Contractual commitments for capital expenditure(s) included in the Financial Report payable not later than one year are as described in the notes accompanying the Financial Report.
- (6) There are no deficiencies or encumbrances attaching to the title of the assets of the Council at 30 June 2023 other than those reflected in the financial report and those are not greater than the value of the asset.
- (7) No Operating or Finance Lease commitments exist that have not been disclosed in the Financial Report. All Operating Lease expenses have been fully disclosed in the notes to the 2023 Statement of Comprehensive Income. Finance Leasing commitments have been fully disclosed in the notes to the 2023 Balance Sheet.



- (8) The asset revaluations of infrastructure assets undertaken during the 2023 financial year by Infrastructure assets including footpaths, kerbs and guttering, and road assets were revalued as at 30 June 2023 by an independent valuer Antonio Blefari MIE(Aust) NER iInSights Pty Ltd. were based on the principle of written down replacement value. Accordingly, total replacement value, total economic working life, residual economic working life were reliably established for each asset and the financial records of Council were restated in accordance with all applicable Australian Accounting Standards, and the Financial Report reflects all such accounting entries.

Valuations of all infrastructure assets have been formally recognised in the 2023 Financial Report.

It should be noted that the valuation of stormwater drainage and carpark assets will be undertaken by an independent valuer as at 1 July 2023.

- (9) The asset revaluation of all land owned by Council was undertaken based was revalued in 2023 based on Valuer General's valuations.

Valuations have been formally recognised in the 2023 Financial Report.

- (10) The Riddoch art collection was revalued as at 30 June 2023 by Simon Storey Art and Cultural Collection valuers.

Valuations have been formally recognised in the 2023 Financial Report.

- (11) The resultant increment to the asset revaluation reserve during the year represents the difference between the prior written down value of the assets being valued and the valuations as at 30 June 2023.

- (12) Depreciation expense reported in the 2023 Statement of Comprehensive Income is reliable, being based on reliable 'whole of life' asset management information for each class of depreciable non-current asset.

LIABILITIES – Current and Non-Current

- (1) All liabilities which have arisen or which will arise out of the activities of the Council to the end of the 2023 financial year have been included in the 2023 Financial Report.
- (2) All outstanding trade payables at balance date have been taken up as at the 2023 balance date.
- (3) All applicable accrued wages and salaries and accrued employee entitlements at the 2023 balance date have been taken up.
- (4) All accrued interest at the 2023 balance date have been taken up.
- (5) All revenue received in advance as at the 2023 balance date have been taken up.
- (6) Provisions for employee benefits, inclusive of on-costs, all discounted as at the 2023 balance date representing long service leave benefits calculated for all valid employees (as at balance date) have been taken up.
- (7) Accrued employee benefits represent annual leave accrued for all valid employees as at the 2023 balance date.



- (8) Borrowings as at the 2023 balance date represented amounts owed to the Local Government Finance Authority. Loans with the LGFA have varying maturity dates and interest rates with details fully provided in the notes to the 2023 Financial Report.
- (9) There were no contingent liabilities including for:
 - a) guarantees;
 - b) bills and accounts receivable discounted, assigned or sold and which are subject to recourse;
 - c) endorsements; and
 - d) repurchase agreements.
- (10) We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with the applicable financial reporting framework.

EQUITY

- (1) There have been no adjustments to the Accumulated Surplus other than those allowable under the Australian Accounting Standards.
- (2) There have been no adjustments to the Asset Revaluation Reserve other than those allowable under the Australian Accounting standards and the balance of the reserve has been reconciled to each class of asset.
- (3) All reserve funds required by legislation to be maintained have been at all times maintained in the accounting records of the Council with the exception of the Open Space reserve that was reinstated for the FY 2022 aligned with legislation.
- (4) All transfers to and from reserve funds (including the Accumulated Surplus) are aligned with previous years (with the exception of prior year corrections in FY 2022).
- (5) Other than for the Asset Revaluation Reserve, all other reserve accounts are those applied for 2023 Council budget purposes and have the same balances as at 30 June 2023.
- (6) Council does not maintain a 'Contingency Reserve' (or equivalent).
- (7) No reserves are 'cash backed'.

2023 STATEMENT OF COMPREHENSIVE INCOME

- (1) Please find attached a summary of all variations greater than 10% for all income and expense amounts (variances less than \$5,000 have been deemed immaterial and not included) disclosed in the 2023 Statement of Comprehensive Income, compared to 2022.
- (2) All depreciable physical resources received free of charge have been included in the appropriate asset register and depreciated from the date when Council assumed control (of the asset).
- (3) Depreciation expense for 2023 is in accordance with Council's asset registers and has been determined on the same basis as for 2022.



- (4) Salaries and Wages expense disclosed in the 2023 Statement of Comprehensive Income reconciles to the last budgeted salaries and wage amount approved by Council for 2023 annual budget funding purposes.
- (5) Capital grants have been correctly separated from operating grants, in accordance with the requirements of the Model Financial Statements.

KEY FINANCIAL INDICATORS

Operating Surplus Ratio - The ratio in FY 2023 is significantly lower than the previous year and the anticipated target as per the adopted budget, driven by the rating increase of 4.5%, higher than expected untied grant revenue (Financial Assistance Grants and LRCI), the first year of Wulanda operations and higher operating expenditure driven by greater than planned CPI (particularly employee costs and utilities) and higher depreciation for Caroline landfill and the first year of Wulanda depreciation.

Net Financial Liabilities Ratio – The ratio is lower than the previous year driven by increased operating revenue driven by Wulanda and grants, and increased borrowings, partially offset by lower creditors and higher debtors all driven by the delivery of the project and operations for Wulanda. It should be noted that the ratio is lower than the target set in the adopted budget where borrowings are lower than anticipated due to Wulanda and other capital projects timing.

Asset Renewal Funding Ratio – This is higher than the previous year, and lower than the LTFP/adopted budget target and SA recommended target. Disruptions and supply shortages combined with the organisation's capacity to deliver have impacted upon the timing of the renewals program. A review of the organisation's capacity to deliver is expected to occur in the first half of FY 2024.

OTHER REQUIRED REPRESENTATIONS

- (1) No events have occurred (or are known to occur) subsequent to the 30 June 2023 that would require any consideration for adjustment to or additional disclosure in the 2023 Financial Report.
- (2) The Council does not have any plans or intentions that may materially affect the carrying value or classification of all assets and liabilities as at 30 June 2023.
- (3) The Council has complied with all aspects of contractual arrangements and agreements that would have a material effect on the 2023 Financial Report in the event of non-compliance.
- (4) There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, other than those disclosed in the 2023 Financial Report.
- (5) There are no violations or possible violations of laws, compulsory standards or regulations whose effects should be considered for disclosure in the 2023 Financial Report or as a basis for recording as an expense or otherwise.
- (6) The methods, the data, and the significant assumptions used in making accounting estimates, and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.



- (7) The Council has full title to all assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- (8) All details concerning related party transactions and related amounts receivable or payable (including sales, purchases, loans and guarantees) have been correctly recorded in the accounting records. All related parties have been identified and disclosed to you during your audit.
- (9) The Council reviews, at least on a quarterly basis, the adequacy of insurance cover on all assets and insurable risks. This review has been consistently performed, and where it is considered appropriate, assets and insurable risks of the Council are at all times adequately covered by appropriate insurance.
- (10) The minutes of all meetings of Council and its Committees were made available to you and are complete and authentic records of all such meetings held during the 2023 financial year and to the date of this letter. All other statutory records were properly kept at all times during the year and have been made available to you for audit purposes.
- (11) All audit correspondence has been formally and promptly responded.
- (12) All audit correspondence has been referred to Council and Council's Audit and Risk Committee.
- (13) Salaries and wages records together with records for the Goods and Service Tax were at all times fully maintained in accordance with the requirements of the Australian Taxation Office, as applicable.
- (14) All documentation relating to the capture of Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) including all authorised forms provided by the deemed Key Management Personnel, evidence of review of total related party transactions processed during the financial year by the Council e.g. Transaction reports of payments made by Council to related parties and any working papers of calculation methodologies for the disclosures in the 30 June 2023 financial statements will be made available to the auditors prior to the presentation of the financial statements to the November 2023 council meeting.
- (15) All deemed material transactions relating to Related Party Disclosures and Transactions (AASB 124 Related Party Disclosures) have been included and adequately disclosed in the 30 June 2023 financial statements.
- (16) Council has formally in place and has at all times maintained an appropriate standard of accounting, internal control structure and framework, segregation of duties and risk management structure and framework across the entire organisation, including appropriate controls and mechanisms specifically designed to prevent and detect fraud and error. Further, we advise that there have not been any instances of fraud or error during the financial year ended 30 June 2023 or to the date of this letter. In addition, there are no matters that should be brought to your attention for the purposes of your making an assessment as to Sections 129(5) and 129(6) of the Local Government Act 1999.
- (17) The 2023 Financial Report has been adjusted for all agreed audit adjustments for the year ended 30 June 2023. It should be noted that a misstatement that was deemed to be immaterial further to discussions with external audit staff have not been adjusted.
- (18) Council's Audit and Risk Committee has addressed all of its prescribed responsibilities and no member of the Committee has undertaken other professional services for the Council.



- (19) In our opinion, there are no grounds to believe that the Council will not be able to pay its debts as and when they fall due, that assets will be at all time maintained to the service standards currently determined by Council and accordingly, the Council is long term financially sustainable.

Yours sincerely

Sarah Philpott
Chief Executive Officer

Enclosures (as applicable)

Enclosure 1 – Statement of Comprehensive Income Variance Analysis



\$'000s	Ref	Drafts Actuals 2023	Actuals 2022	Variance	Variance %
Income					
Rates		24,893	23,822	1,071	4%
Statutory charges	1	731	633	98	15%
User charges	2	6,947	5,515	1,432	26%
Grants, subsidies and contributions - capital	3	1,071	716	355	50%
Grants, subsidies and contributions - operating	4	6,402	5,899	503	9%
Investment income	5	49	14	35	250%
Reimbursements	6	755	65	690	1062%
Other income	7	1,263	498	765	154%
Total income		42,111	37,162	4,949	13%
Expenses					
Employee costs	8	14,365	13,090	(1,275)	-10%
Materials, contracts and other expenses	9	17,460	13,234	(4,226)	-32%
Depreciation, amortisation and impairment	10	10,176	8,479	(1,697)	-20%
Finance costs	11	1,094	358	(736)	-206%
Total expenses		43,095	35,161	(7,934)	-23%
Operating surplus / (deficit)		(984)	2,001	(2,985)	-149%
Physical resources received free of charge	12	1,054	1,760	(706)	-40%
Asset disposal and fair value adjustments	13	(364)	(787)	423	54%
Amounts received specifically for new or upgraded assets	14	5,808	17,940	(12,132)	-68%
Net surplus / (deficit)		5,514	20,914	(15,400)	-74%
Other comprehensive income					
Changes in revaluation surplus - I,PP&E	15	90,897		90,897	100%
Impairment (expense) / recoupments offset to asset revaluation reserve	16	(575)		(575)	-100%
Total other comprehensive income		90,322	0	90,322	100%
Total comprehensive income		95,836	20,914	74,922	358%

As per the reference numbers listed, please find explanations for material variances of greater than +/- 10% for 2023, compared to 2022:

- Statutory Charges \$98k** – Includes additional animal registration fees & fines incorporated in budget reviews \$51k, development act fees \$11k, and town planning fees \$24k aligned with development in the city, parking fines/expiations with greater focus post COVID \$24k.
- User Charges Increase \$1,432k** – Including first year of Wulanda \$1,310k, waste management (\$19k), rental and lease income \$86k (including the Mount Gambier Tourist Park).
- Grants, Subsidies, & Contributions Capital \$355k** – Including LRCI Grant Funding Increase \$188k where Council received \$904k, compared to \$716k received in FY 2022 and boundary roads contributions of \$167k (previously treated as capital grant revenue).
- Grants, Subsidies, & Contributions Operating \$503k** – Including additional Financial Assistance Grants Increase \$408k (100% additional payment of following year's grant and 25% of the current year (compared to 75% of the following year's grant and 50% of the current year's grant in 2022)), and Regional Transport Subsidy timing of payments \$114k.
- Investment Income \$35k** – Higher income due to the change in methodology for LGFA distribution and significantly higher borrowings.
- Reimbursements \$690k** – This increase is mainly due to the utilities reimbursements for the Wulanda operations (offset by expenditure).



7. **Other Income Increase \$765k** - Main variances include a significant increase in open space revenue \$796k reflecting development activity, downstream drainage increase/reclassification \$60k, partly offset by lower insurance recoveries (\$108k).
8. **Employee Costs (\$1,275k)** – Including movement in Long Service Leave (\$0.5m) where last year's significant movement in the discount rate distorted the FY 2022 charge, overtime increase (\$0.2m), superannuation rate increase/impact of salary increase (\$0.1m) and increase in salaries and wages including EA increase (\$0.4m).
9. **Materials, Contracts and Other (\$4,226k)** – Material variances include Wulanda operations (\$2.5m), energy (\$0.8m), software (\$0.3m), and election expenses (\$0.2m)
10. **Depreciation Increase (\$1,697k)** – Mainly due to an increase in Buildings and Structures (\$0.6m) driven by Wulanda, and waste management (\$0.9m) where Cell 3C has been assumed to be at capacity at the end of FY 2023.
11. **Finance Costs Increase (\$736k)** - Higher finance costs mainly due to finance costs being treated as operating expenditure post Wulanda completion. During the construction of Wulanda, finance costs relating to the project were treated as capital costs.
12. **Physical Resources Free Of Charge (\$706k)** - Decreased revenue from developments/land divisions including: Footpaths & Kerbing (\$387k) and Roads (\$345k).
13. **Asset Disposal and fair value adjustments \$423k** – Lower disposal costs for Infrastructure assets as a result of the capital works program \$262k, partly offset minor surplus resulting from sale of plant and machinery compared to loss in previous year \$105k, other assets \$56k
14. **Amounts Received for New/Upgraded Assets (\$12,132k)** – Mainly driven by lower Wulanda Commonwealth and Federal government grants in FY 2023 of \$5.0m compared to \$17.5m in FY 2022 in line with the respective grant deeds of agreement.
15. **Changes in revaluation surplus \$90,897k** - Revaluations undertaken as at 30 June for Infrastructure Assets (Kerbs and guttering, roads and footpaths) \$80.7m, land \$9.3m and the Riddoch collection \$0.8m.
16. **Impairment (expense)/recoupments offset to asset revaluation reserve (\$575k)** - Further to the external audit advice to treat library books as an operating expense due to the statewide one card system (\$575k) was written off against the library book asset revaluation reserve (with the remaining (\$57k) included in the depreciation, amortisation and impairment line).



**5.2 COMPARISON OF ACTUAL TO BUDGET FOR THE YEAR ENDING 30 JUNE 2023 –
REPORT NO. AR23/37476**

Committee:	Audit and Risk Committee
Meeting Date:	30 October 2023
Report No.:	AR23/37476
CM9 Reference:	AF11/863
Author:	Julie Scoggins, Manager Financial Services
Authoriser:	Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services
Summary:	Comparison to budget - the annual end of year financial audit includes a comparison of actual to budget for the previous financial 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. AR23/37476 titled 'Comparison of Actual to Budget for the year ending 30 June 2023' as presented on 30 October 2023 be noted.
2. That the estimates comparison for the financial year ending 30 June 2023 as contained in Attachment 1 to Report No. AR23/37476 be adopted.



TYPE OF REPORT

Legislative

BACKGROUND

1. **Legislation** - Pursuant to Section 10 of the Local Government (Financial Management) Regulations 2011:
 - (1) A council, council subsidiary or regional subsidiary must, by no later than 31 December in each year, prepare and consider a report showing the audited financial results of each item shown in the statement of comprehensive income and balance sheet of the budgeted financial statements of the council, council subsidiary or regional subsidiary (as the case may be) for the previous financial year compared with the estimated financial results set out in the budget presented in a manner consistent with the Model Financial Statements.
 - (2) A council must also include in a report under subregulation (1) audited financial results for the previous financial year of the council's operating surplus ratio, net financial liabilities ratio and asset sustainability ratio compared with estimates set out in the budget presented in a manner consistent with the note in the Model Financial Statements entitled Financial Indicators.
2. **Comparison to Adopted Budget** - The Budgeted Statement of Comprehensive Income and Statement of Financial Position as at 30 June 2023 (Attachment 1) report the actual results compared to the original budget adopted by Council in June 2022.
3. **Council's Adopted Annual Business Plan** - The budget adopted by Council in June 2022 had an operating deficit of (\$2,669) thousand and total comprehensive income of \$5.902 million.

PROPOSAL

STATEMENT OF COMPREHENSIVE INCOME:

Overview - Council's actual operating deficit of (\$1.0m) is significantly lower than the adopted budget of an operating deficit of (\$2.7m) mainly driven by the key variances detailed below:

Operating Revenue - \$5.1m or 13.9% higher than the adopted budget (favourable variance), including the following significant variances:

1. **Statutory Charges \$0.2m Favourable Variance** - Development Act/Planning Fees resulting from post COVID growth \$0.1m, and other fees \$0.1m including animal fees and parking fines/fees.
2. **User Charges \$0.7m Favourable Variance** - Mainly due to higher than anticipated Wulanda revenue \$0.4m, waste management \$0.1m, and increased rental revenue including Tourist Park \$0.1m.
3. **Grants \$2.7m Favourable Variance** - Higher than the adopted budget mainly due to timing of the Financial Assistance Grants \$2.4m, and Regional Transport Subsidy \$0.1m, Boundary Roads grants treated as operating revenue \$0.2m and timing of Local Roads and Community Infrastructure (LRCI) payments (\$0.1m).
4. **Investment Income \$49k Favourable Variance** - Higher as not previously budgeted. Based on new LGFA distribution methodology.
5. **Reimbursements \$0.7m Favourable Variance** - Included Wulanda utilities reimbursements \$0.6m not included in the adopted budget.
6. **Other Income \$0.8m Favourable Variance** - Mainly due to significantly higher than budgeted open space contributions \$0.7m.



Operating Expenditure - (\$3.5m) or (8.7%) higher than the adopted budget (unfavourable variance) including the following key variances:

1. **Employee Costs \$0.3m Favourable Variance** - Net vacancy savings, partly offset by higher than budgeted EA increase, higher superannuation rate and increased long service leave.
2. **Materials, Contracts, Other (\$2.8m) Unfavourable Variance** – Mainly due to Wulanda operations (\$0.9m), contractors (\$0.8m), energy of (\$0.9m) mainly due to electricity increases resulting from interim contract and Wulanda, fuel and oil (\$0.2m),
3. **Depreciation (\$1.0m) Unfavourable Variance** - Mainly due to the following variances including Caroline landfill adjusted as advised by the Auditors for FY 2022 and FY 2023 (\$1.0m).
4. **Finance Costs** - Broadly in line with the budget.

Other:

1. **Physical Resources Free of Charge \$1.1m Favourable Variance** - Not budgeted in 2022/2023, with revenue resulting from land divisions and development (roads \$0.7m and footpaths and kerbing \$0.3m). It should be noted that \$1.0m has been included in the adopted 2023/2024 budget with \$1.0m p.a. also included in the adopted LTFP.
2. **Change in Revaluation Surplus \$88.5m Favourable Variance** - Includes valuations for Land of \$9.3m and the Riddoch Collection \$0.8m that were not budgeted for this year, and Infrastructure valuation of \$80.7m, the overall valuation impact is \$88.5m favourable to the adopted budget. The key driver for this increase for Infrastructure assets is inflation and demand impacts on unit rates, new asset condition data, and componentisation (in the case of the road subbase this increased the valuation by \$49.7m),
3. **Amounts Received For New/Upgraded Assets (\$0.4m) Unfavourable Variance** - LGIPP grant reduction for Rail Trail Solar Lighting project as a result of lower project cost (\$0.2m), and treatment of Boundary Roads and Library materials grant as operating (\$0.2m)

STATEMENT OF FINANCIAL POSITION:

The key variances to the adopted budget are as follows:

1. **Cash & Cash Equivalents (\$0.4m) Unfavourable Variance** - Lower cash balance reflecting treasury management policy of minimising cash balances and borrowing levels.
2. **Trade & Other Receivables \$2.7m Favourable Variance** - The actual FY23 balance reflects the higher operating revenue compared to budget and has been largely driven by first year of Wulanda operations and associated debtors.
3. **Infrastructure Property, Plant & Equipment \$81.6m Favourable Variance** - Is higher than budget mainly as a result of far greater than budgeted valuation increases across Infrastructure, land and art works.
4. **Trade & Other Payables (\$0.7m) Unfavourable Variance** - Actual FY23 balance is higher than the adopted budget due to the timing of Wulanda operating invoices for activities undertaken in 2022/2023.
5. **Borrowings (Current & Non-Current) \$9.3m Favourable Variance** - Borrowings are lower than the adopted budget mainly due to timing of the capital works program, grant revenue payments and the Wulanda project.

KEY FINANCIAL INDICATORS:



2022 Actuals	\$'000s	2023 Draft Actuals	2023 Adopted Budget
5.4%	Operating surplus ratio	-2.3%	-7.2%
	<u>Operating surplus</u> Total operating revenue		
97%	Net financial liabilities ratio	92%	135%
	<u>Net financial liabilities</u> Total operating revenue		
79%	Asset renewal funding ratio	88%	120%
	<u>Expenditure on renewal/replacement of assets</u> Optimal level of such expenditure as per IAMP		

Actual Performance - The actual key financial indicators for 2022/23 are shown in the table compared to the adopted budget for the relevant year.

1. **Operating Surplus Ratio 4.9% Favourable Variance** - Driven by significant increase in grant revenue and Wulanda revenue, partly offset by higher operating costs (Wulanda operating, utilities and depreciation).
2. **Net Financial Liabilities Ratio 43% Favourable Variance** - Mainly driven by the timing of grant revenue and of the delivery of the Wulanda Recreation and Convention Centre project, other capital works projects and associated borrowings.
3. **Asset Renewal Funding Ratio (32%) Unfavourable Variance** - Mainly driven by the timing of the delivery of the renewals program with works brought forward from 2021/2022 more than offset by deferrals and partial deferrals to 2023/2024 and recategorisation of waste management from renewals to new/upgrade.

LEGAL IMPLICATIONS AS DETAILED IN THE BACKGROUND STRATEGIC PLAN

The budget was developed in the context of the Strategic Plan.

COUNCIL POLICY

[A900 Asset Management Policy](#)

[Asset Accounting 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

Prudent management of Council's financial sustainability ensures that short and long term financial risk is minimised and ultimately mitigated.

EQUALITIES AND DIVERSITY IMPLICATIONS

N/A

ENGAGEMENT AND COMMUNICATION STRATEGY

N/A

IMPLEMENTATION STRATEGY

N/A

CONCLUSION AND RECOMMENDATION

Council's end of year results as shown in the audited financial statements indicate its ongoing financial position has been impacted by the timing of the capital works program (including Wulanda), Wulanda operations, inflationary pressures on such costs as utilities and grant revenue.

Maintaining Council's position by working within annual and long-term financial targets is crucial in accommodating the long term financial plan of works and building capacity to achieve Council's long term strategic goals

ATTACHMENTS

1. Attachment 1 - Draft Statement of Comprehensive Income and Statement of Comprehensive Income compared to Adopted Budget FY 2023 [↓](#)



Draft Statement of Comprehensive Income

Actuals 2022		Drafts Actuals 2023	Adopted Budget 2023
Income			
23,822	Rates	24,893	24,832
633	Statutory charges	731	575
5,515	User charges	6,947	6,268
716	Grants, subsidies and contributions - capital	1,071	974
5,899	Grants, subsidies and contributions - operating	6,402	3,754
14	Investment income	49	0
65	Reimbursements	755	65
498	Other income	1,263	495
37,162	Total income	42,111	36,963
Expenses			
13,090	Employee costs	14,365	14,682
13,234	Materials, contracts and other expenses	17,460	14,675
8,479	Depreciation, amortisation and impairment	10,176	9,209
358	Finance costs	1,094	1,064
35,161	Total expenses	43,095	39,631
2,001	Operating surplus / (deficit)	(984)	(2,669)
1,760	Physical resources received free of charge	1,054	
(787)	Asset disposal and fair value adjustments	(364)	
17,940	Amounts received specifically for new or upgraded assets	5,808	6,215
20,914	Net surplus / (deficit)	5,514	3,547
Other comprehensive income			
Amounts which will not be reclassified subsequently to operating result			
	Changes in revaluation surplus - I,PP&E	90,897	2,355
	Impairment (expense) / recoupments offset to asset revaluation reserve	(575)	
0	Total other comprehensive income	90,322	2,355
20,914	Total comprehensive income	95,836	5,902



Draft Statement of Comprehensive Income

Actuals 2022	\$'000s	Drafts Actuals 2023	Adopted Budget 2023
ASSETS			
	Current assets		
250	Cash and cash equivalent assets	76	500
2,974	Trade and other receivables	4,155	1,447
64	Inventories	67	47
3,288	Total current assets	4,298	1,994
Non-current assets			
301,171	Infrastructure, property, plant and equipment	399,756	318,117
301,171	Total non-current assets	399,756	318,117
304,459	TOTAL ASSETS	404,054	320,111
LIABILITIES			
Current liabilities			
9,331	Trade and other payables	4,801	4,127
1,222	Borrowings	3,088	2,930
2,784	Provisions	3,011	2,981
13,337	Total current liabilities	10,900	10,037
Non-current liabilities			
22,311	Borrowings	28,519	38,003
3,507	Provisions	3,495	3,842
25,818	Total non-current liabilities	32,014	41,845
39,155	TOTAL LIABILITIES	42,914	51,882
265,304	Net assets	361,140	268,229
EQUITY			
83,080	Accumulated surplus	87,644	89,504
180,852	Asset revaluation reserves	271,174	177,840
1,372	Other reserves	2,322	884
265,304	Total equity	361,140	268,229



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, 31 JULY 2023 AT 5.30 P.M.**

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

OFFICERS IN ATTENDANCE:	Acting Chief Executive Officer General Manager Corporate and Regulatory Services Manager Organisational Development Human Resource and Risk Coordinator Team Leader iServices Executive Administrator	- Ms B Cernovskis - Mrs J Fetherstonhaugh - Ms R Datta (virtual) - Ms L Little - Ms J Fowler - Ms S Wilson
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1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGY(IES)

Nil

3 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Belinda Johnson

Seconded: Alexander Brown

That the minutes of the Audit and Risk Committee meeting held on 5 June 2023 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil resolved



5 REPORTS

5.1 WORK HEALTH SAFETY AND WELLBEING MANAGEMENT

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR23/43765 titled 'Work Health Safety and Wellbeing Management' as presented on 31 July 2023 be noted.

CARRIED

5.2 RISK MANAGEMENT REPORT JUNE 2023

COMMITTEE RESOLUTION

Moved: Paul Duka
Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR23/43768 titled 'Risk Management Report June 2023' as presented on 31 July 2023 be noted.

CARRIED

RISK MANAGEMENT REPORT JUNE 2023 – RISK MATRIX

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Belinda Johnson

1. That the Audit and Risk Committee note the ongoing work underway and planned review of the risk matrix and ratings in conjunction with the LGRS and the development of a risk appetite statement in conjunction with Council.

CARRIED

5.3 REVIEW OF COUNCIL POLICIES - UPDATE

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin
Seconded: Belinda Johnson

1. That Audit and Risk Committee Report No. AR23/44652 titled 'Review of Council Policies - Update' as presented on 31 July 2023 be noted.

CARRIED



6 CONFIDENTIAL ITEMS

6.1 PHRIENDLY PHISHING REPORT – REPORT NO. AR23/36674

COMMITTEE RESOLUTION

Moved: Alexander Brown
Seconded: Belinda Johnson

CONSIDERATION FOR EXCLUSION OF THE PUBLIC

Pursuant to section 90(2) of the *Local Government Act 1999* the Audit and Risk Committee orders that all members of the public, except the Mayor, Councillors and (Community Members) be excluded from attendance at the meeting for the receipt and consideration in confidence of Agenda Item 6.1 AR23/36674 Phriendly Phishing Report.

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

- matters affecting the security of
 - the Council, or
 - Council Members, or
 - employees of the Council, or
 - Council property, or
 - the safety of any person

The Audit and Risk 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 relates to the security of Council information systems.

CARRIED

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin
Seconded: Belinda Johnson

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 AR23/36674 Phriendly Phishing Report and its attachments, resolution/s and minutes arising from the report, having been considered by the Council in confidence under Section 90(2) & (3) (e) be kept confidential and not available for public inspection until further order of Council.
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

7 MEETING CLOSE



The Meeting closed at 6:37 pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee held on 30 October 2023.

.....
PRESIDING MEMBER



**MINUTES OF CITY OF MOUNT GAMBIER
SPECIAL AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, CIVIC CENTRE, 10 WATSON TERRACE, MOUNT
GAMBIER
ON MONDAY, 11 SEPTEMBER 2023 AT 5.33 P.M.**

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

OFFICERS IN ATTENDANCE:	Chief Executive Officer	- Mrs S Philpott
	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)

Nil

3 QUESTIONS WITHOUT NOTICE

Nil resolved

Mr Alexander Brown left the meeting at 5:38 pm

Mr Alexander Brown returned to the meeting at 5:38 pm

4 REPORTS

4.1 REVIEW OF COUNCIL POLICIES - UPDATE

COMMITTEE RESOLUTION

Moved: Mayor Lynette Martin

Seconded: Cr Paul Jenner

1. That Audit and Risk Committee Report No. AR23/59098 titled 'Review of Council Policies - Update' as presented on 11 September 2023 be noted.
2. That the P415 - Prudential Management Policy as attached to Report No. AR23/59098, having been reviewed by the Audit and Risk Committee on 11 September 2023, be adopted with the following amendments:
 - Add clause 8.4 - section 48 (4) states that the person should be independent with the relevant qualifications. In addition that the person/organisation should be external to Council



- Definitions - Prudential Project noting that the legislation is very broad in section 48(1)(b)
 - Roles and Responsibilities - the role of audit and risk committee is to receive any prudential reports and provide advice to Council
 - Objectives - include an additional objective to inform Council of risks and opportunities the project may bring
 - 8.1 - add operational risks to the financial risk section
 - 8.3 - Benefits - include 'whole of life benefits/revenue'
 - Any associated amendments
3. That the Asset Accounting Policy as attached to Report No. AR23/59098, having been reviewed by the Audit and Risk Committee on 11 September 2023, be adopted with the following amendments:
- Include a definition for componentisation and include an associated additional clause
 - Definition of gift assets should be expanded to include assets purchased by a party other than Council
 - 7.4 - change to reflect useful lives to be reviewed as required
 - 7.5 - Include a comment below in between the frequencies stated above to incorporate changes to unit rates to ensure that the financial impact of valuations is minimized
 - 7.5 - frequency of valuation - change Land to every 4 years and include artworks as an asset category, external valuer and frequency of 4 yearly.
 - 7.5 - include revaluations may occur more frequently as required
4. That the Internal Controls Policy as attached to Report No. AR23/59098, having been reviewed by the Audit and Risk Committee on 11 September 2023, be adopted with the following amendments:
- 5.5 - third dot point - change to raise concerns with management staff and Council
 - 5.6 - liabilities to read 'the incurring of liabilities' and create a new paragraph noting that the external auditor will provide an audit opinion as to whether the controls are sufficient to provide reasonable assurance that the financial transactions of the council have been conducted properly and in accordance with the law
 - The policy be updated to reflect the two year frequency of a full review of the internal controls
 - A rolling program to assess and monitor the internal financial controls be included in the policy
 - To include in the policy a clause which outlines the basis for interim or ad hoc internal financial control reviews
 - To workshop the rolling program of internal financial controls as part of the review of the Audit and Risk committee annual works program
5. That the new External Grant Funding Policy as attached to Report No. AR23/59098, having been reviewed by the Audit and Risk Committee on 11 September 2023, be adopted with the following amendments:
- 3.1 - this policy applies to all grants that require applications to be made, that are not contemplated in Councils adopted budget or where there is a requirement to have a Council resolution



6. That the Chief Executive Officer or Delegate be authorised to make any necessary changes to the policies arising from this meeting, together with any editorial amendments and finalisation of the document's formatting and graphic design that do not materially alter the integrity of the document.

CARRIED

4.2 INFRASTRUCTURE VALUATION

COMMITTEE RESOLUTION

Moved: Paul Duka

Seconded: Alexander Brown

1. That Audit and Risk Committee Report No. AR23/60163 titled 'Infrastructure Valuation' as presented on 11 September 2023 be noted.

CARRIED

5 MOTIONS WITHOUT NOTICE

Nil

6 MEETING CLOSE

The Meeting closed at 7:33 pm.

The minutes of this meeting were confirmed at the Audit and Risk Committee held on 30 October 2023.

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PRESIDING MEMBER

