

AGENDA

Audit and Risk Committee Wednesday 3 December 2025



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

Time: 5:30 pm
Date: Wednesday 3 December 2025
Location: Level 1 Conference Room - Civic Centre
10 Watson Terrace, Mount Gambier



Paul Simpson
CHIEF EXECUTIVE OFFICER
28 November 2025

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1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGIES

That the apologies from Mayor Lynette Martin and Belinda Johnson be received.

3 CONFIRMATION OF MINUTES

3.1 CONFIRMATION OF MINUTES

RECOMMENDATION

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

4 QUESTIONS WITHOUT NOTICE

5 REPORTS

5.1 STRATEGIC RISK REVIEW

Author: Brittany Shelton, Manager Governance and Property

Authoriser: Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Strategic Risk Review' as presented on Wednesday 3 December 2025 be noted.

PURPOSE

The purpose of this report is to present the Strategic Risk Review process undertaken by the Executive Leadership Team (ELT) and Members of the City of Mount Gambier under the newly adopted Risk Management Framework in November 2025.

TERMS OF REFERENCE

The Audit and Risk Committee reviews and evaluates the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis.

RELEVANT LEGISLATION

Section 125 of the Local Government Act 1999 ('LG Act') requires Council to 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.

Section 132A of the LG Act requires Council to ensure that appropriate policies, practices, and procedures are implemented and maintained to ensure compliance with statutory requirements and achieve and maintain standards of good public administration.

Section 134(4) (b) of the LG Act requires Council to adopt risk management policies.

BACKGROUND / OPTIONS

The City of Mount Gambier (Council) is committed to an integrated approach to risk management to assist in setting appropriate strategies, achieving objectives and making informed decisions, in the best interests of our community.

Council recognises that managing risk is part of governance and leadership, is fundamental to how the organisation is managed at all levels and will contribute to continuous improvement of its management systems.

The City of Mount Gambier has a vision for Mount Gambier as *Erupting with Potential: Embracing Our Past, Enhancing our Strengths and Shaping an Exciting Future*. To bring this vision to life Council has developed six strategic priorities that reflect our community aspirations.

The risk management process is not an isolated function and should be applied to all activities, including decision making, at all levels. Effective identification, analysis, evaluation and treatment of risks is critical to Council achieving its strategic objectives and meeting stakeholder expectations.

In accordance with the newly adopted Risk Management Framework, Council's ELT and Members conducted a strategic risk review on the 19th and 25th of November respectively. The **attached** power point presentation sets out the process generally which was followed for each session, including:

- High level refresher on Enterprise Risk Management (ERM) principles,
- Environmental scan (context setting) for the City of Mount Gambier, both internally and externally, at a point in time,
- Consideration of sector benchmarking for the State and Nation,
- Review of the strategic risk register, including relevant / appropriateness of risks, risk descriptors, risk ratings (inherent against residual), and consideration of emerging risks.

When contemplating the internal and external environment relevant to Council at this point in time, the following influencing factors were considered (noting that environmental factors are not necessarily positive or negative, they are just relevant).

Internal –

- Risk management culture – developing maturity, importance of clarity of expectations and buy-in / ownership.
- Organisational structure – capacity, new CEO, workforce planning project, LG elections, visitor servicing / Wulanda reviews.
- Strategy and objectives – 2035 and Strategic Management Plan, service review project, site master planning, advocacy planning.

External –

- Social – respectful community interactions project, affordable housing, SEFA discrepancy for regions socio-economic profile, rating review, access to health services, anti-social behaviour, increasing homelessness.

- Cultural –First Nations, Native Title, conservative regional community, migrant policy.
- Political – State elections, LG elections, vacant State member for Mount Gambier, environmental protection reforms, FAGs, LCLGA.
- Technological – cyber security, AI, business systems upgrade project.
- Economic – RBA, CPI, cost shifting, cost of living, regional plan, DHUD (investment in region).
- Environment – water allocation / aquifer system, 2050 climate targets, increase in extreme weather events, sinkholes / Geotech, land contamination, 60% reduction in kerbside waste.
- Infrastructure – SA water, DIT roads, cost shifting, ageing third party infrastructure.
- Legislative and compliance – Crown land, Native Title, EPA, rate of legislative reform, increase in litigation culture.

Further to the environmental scan, sector benchmarking was specifically considered at the Federal and State level, revealing the following insights into risk in the LG sector for the financial year 2024/2025.

JLT Public Sector Risk Report SA 2024/2025 – top risks identified for LG in the State:

1. Financial Sustainability
2. Cyber Security
3. Assets & Infrastructure
4. People & Culture

JLT Public Sector Risk Report 2024/2025 – top risks identified for LG in Australia:

1. Financial Stability
2. Cyber Security
3. Assets & Infrastructure
4. Disaster & Catastrophe
5. People & Culture
6. Climate Change
7. Business Continuity Planning
8. Statutory & Regulation
9. Waste Management
10. Ineffective Governance
11. Reputation
12. Civil Liability Claims

ELT and Members reviewed the strategic risk register (refer extract below), to assess relevance / appropriateness of risks, risk descriptors, risk ratings (inherent against residual), and consideration of emerging risks. The City of Mount Gambier has currently identified twelve (12) strategic risks, however as part of this most recent review intends to remove SR3, Children & Vulnerable People (as highlighted in red).

Strategic Risks	Inherent Rating	Residual (Current) Rating
1. Cyber Security & Artificial Intelligence - failure to maintain relevant level of maturity in cyber security and/or generative artificial intelligence leaves the organisation exposed to ransom, loss of organisation and community data and reputational damage.	Extreme	Extreme
2. Financial Stability - Council does not maintain financial sustainability as a result of ineffective management of revenue, expenditure, debt, liabilities and assets and/or the communities ability to meet increasing rate demands within the current cost of living climate.	High	Medium
3. Children & Vulnerable People - failure to prevent harm to children, young people and vulnerable people, or inability to maintain Child Safe Organisational standard with Department of Human Services.	High	Medium

4. Climate Change Preparedness - lack of organisational preparedness for increased frequency and severity of climate change events, emergency management planning and capability within organisation, community and other councils within LCLGA.	Medium	Medium
5. People, Culture & Workforce Planning - failure to ensure strategic, planned and effective workforce planning, including recruitment and retention, and a positive culture where people have capacity to innovate and grow.	High	High
6. WHS Management & Compliance - failure to provide a safe and compliant environment and effective systems to manage WHS in the workplace, and keep people safe from injury and harm.	High	Medium
7. Environmental Compliance - inability to meet environmental targets and legislative requirements impacting Council's ability to deliver on core services such as waste management, cemetery operations, conservation and water management, and heritage requirements.	High	High
8. Appropriate & Stable Infrastructure - inability to achieve long-term infrastructure sustainability, understanding asset consumption, planning for growth, and ensuring infrastructure decisions are based on reliable data and lifecycle costing due to ineffective asset management planning and alignment with financial strategy, inadequate maintenance and renewal strategies, and misalignment with community service level expectations resulting in deteriorating infrastructure, increased future costs, and intergenerational equity issues.	High	High
9. Governance & Legislative Compliance - failure to operate in accordance with relevant legislation, policies, governance and business practice to ensure professional and ethical standards are upheld, resulting in integrity agency investigation, erosion of trust with stakeholders, fines and penalties, or exposure to litigation.	High	Medium
10. Political Stability - ineffective management of the political environment including relationships with Elected body, State, Federal and Regional Local Governments resulting in misalignment and friction internally and externally with relevant stakeholders.	Medium	Medium
11. Procurement & Contracting - failure to achieve value-for-money outcomes or meet legislative and strategic objectives due to ineffective procurement and contract management practices, including poor planning, inadequate market engagement, non-compliance with procurement policies, and weak contract oversight, or limited procurement options as a result of regional location, resulting in financial loss, reputational damage, service delivery disruptions, and reduced accountability in supplier relationships.	High	Medium
12. Relationship, Connection & Engagement with Community - inability to maintain connected relationship with community, build trust in Council, or meaningfully engage on key services or projects resulting in strategic targets and objectives not being aligned to community expectation, resource wastage, and reputational damage.	High	Medium

Key discussion centred around the following themes:

- Ensuring ratings were conducted with objective assessment against the consequences and likelihood descriptors, rather than 'catastrophised'.
- Simplifying risk descriptors to be direct and user-friendly.
- Matching controls against causes to most effectively mitigate risk.
- Acknowledging that even with controls in place which are effective, the overall risk rating may not be lowered sufficiently to shift it into a lower rating range.
- SR3 Children & Vulnerable People is likely an operational risk, rather than strategic. When considering which of the strategic goals the risk might derail, there was not a convincing argument. However the risk is very important, and should be captured in the operational risk register once developed.
- Contemplation of whether waste management should be separated out into its own risk, rather than as a part of SR7 Environmental Compliance.

One (1) out of the twelve (12) strategic risks has a residual risk rating of extreme:

- SR1. Cyber Security & Artificial Intelligence - failure to maintain relevant level of maturity in cyber security and/or generative artificial intelligence leaves the organisation exposed to ransom, loss of organisation and community data and reputational damage.

Where this is the case, the Risk Management Framework requires Council administration to *"inform the next meeting of the Audit and Risk Committee of the risk issue, the actions taken to mitigate the risk and the outcome (or current status)"*.

The reason this strategic risk has a residual risk rating which is not materially lower than the inherent rating (and a rating which remains extreme) is because whilst the risk currently has nine (9) controls in place, and City of Mount Gambier has taken all protocols in place that would be expected of a Council our size, such as IT controls, cyber security incident response plan, staff training, insurance etc, the rate at which this space is evolving, and the level of speed and sophistication of attacks, results that the likelihood of an event remains high.

Eight (8) additional treatment options have been identified and, have and will be pursued and implemented towards further mitigating the risk, and bringing the residual risk rating down. Until such time, staff will continue to actively monitor the risk, and follow advice of (and utilise support resources available from) industry specialists, such as LGITSA and LGRS.

DETAILED IMPLICATIONS

Legal	Whilst there is no prescriptive requirement under the legislation for Council to adopt a Risk Appetite Statement, the below provisions are achieved (or materially contributed to) by doing so: · Section 99(1)(ia) of the Local Government Act 1999 ('LG Act') requires the CEO to ensure that effective policies, systems and processes are established and maintained for the identification, assessment, monitoring, management and annual review of strategic, financial and operational risks. · Section 125 of the Local Government Act 1999 ('LG Act') LG Act requires Council to 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. · Section 132A of the LG Act requires Council to ensure that appropriate policies, practices and procedures are implemented and maintained in order to ensure compliance with statutory requirements and achieve and maintain standards of good public administration. · Section 134(4) (b) of the LG Act requires Council to adopt risk management policies, controls and systems.
Financial and Budget	N/A
Community Consultation and Engagement	N/A
Other Resources	As noted in the report generated by LGRS, Council does not currently have any resources specifically dedicated to Enterprise Risk Management, and in order to achieve the desired maturity level, this is a relevant consideration of the efficiency and quality of work able to be achieved by the administration. The risk portfolio has recently been transferred to the Governance and Property portfolio, in acknowledgement of resourcing constraints, and subject matter expertise.

RISK ANALYSIS

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

Risk	Consequence Rating	Risk Likelihood Rating	Risk Rating	Mitigation
Finance – Council is unable to apply a	Major (4)	Rare (1)	Moderate	Establishment of a mature risk

strategic risk lens to projects / business activities of significance, exposing Council to financial inefficiency or loss				culture, effective and embedded risk management activities which lead to risk-informed decision-making, supported by a contemporary Risk Management Framework
Reputation – Council is unable to clearly articulate its risk management culture / activities, eroding trust with the community	Moderate (3)	Possible (3)	Moderate	As above
Legal / Regulatory / Policy – Council is not taking a mature approach to cognoscente risk management, leaving is exposed to legislative breach or litigation	Major (4)	Rare (1)	Moderate	As above
Service Delivery - A lack of organisational risk maturity leaves the organisation exposed to business continuity disruption	Moderate (3)	Rare (1)	Low	As above
People – A lack of mature risk culture prevents staff from being able to take advantage of opportunities, or perform to their potential	Minor (2)	Unlikely (2)	Low	As above
Infrastructure – Council does not have the necessary tools to make informed decisions as to resource allocation / asset management planning for infrastructure and assets, resulting in deterioration or loss of assets	Moderate (3)	Possible (3)	Moderate	As above
Environmental - Council does not have the necessary	Moderate (3)	Rare (1)	Low	As above

tools to make information decisions about the impact of projects and business activities on the environment, resulting in negative environmental impact or harm				
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RELEVANT COUNCIL POLICY

[Risk Management](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Further work towards organisational integration and increased risk maturity is planned, including:

- Implementation and embedding of the Risk Management Administrative Principle (Framework),
- Staff education workshops,
- Review of the strategic risk reporting and review function,
- Establishment of and Operational Risk Register,
- Establishment of a standard Project Risk process,
- Implication of regular risk reporting processes at Executive Leadership level, and Elected Council level,
- Integration of a contemporary enterprise risk management software,
- Integration of risk management culture throughout the organisation.

CONCLUSION

The strategic risk review process will continue to be refined and improved in future years. It is intended that it occur annually (unless a higher frequency is required), including participation from ELT, Members and review by the Audit and Risk Committee to affirm the process is robust and meets sector expectations.

ATTACHMENTS

1. Strategic Risk Review - November 2025 [5.1.1 - 8 pages]



Background – the journey so far...

Let's do a little Risk Refresher – calm down, I know you're all excited!

In 2023 Council began its Enterprise Risk Management (ERM) journey with the support of LGRS, completing an industry benchmarking survey (maturity) and undertaking training.

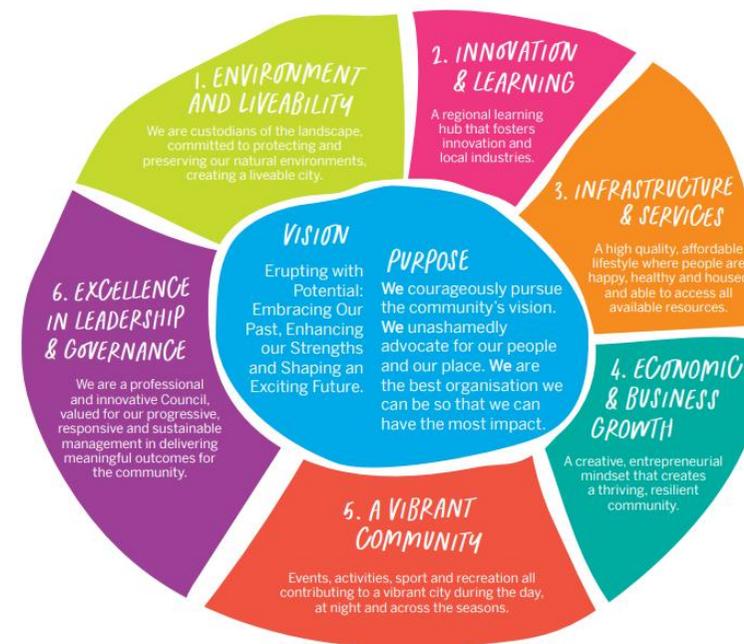
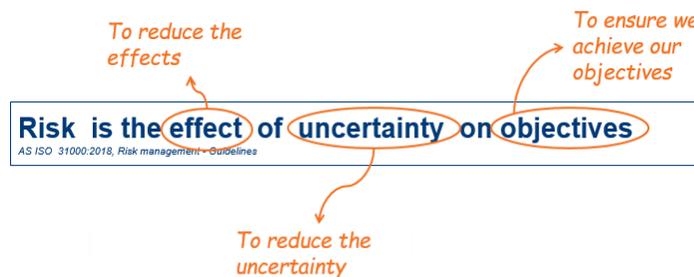
Risk Maturity Model Sector results from risk evaluations



So, what are we trying to achieve here?

This is the point where we refresh on some key concepts:

- Risk is a spectrum, where positive risks are called opportunities.
- Council does not have infinite resources, and therefore may not be able to control or mitigate every risk to the degree we may prefer, however balance is important.
- Our strategic risks should be intrinsically linked with our strategic plans (goals) – what makes a risk 'strategic' its ability to wobble or fell one of our strategic goals.



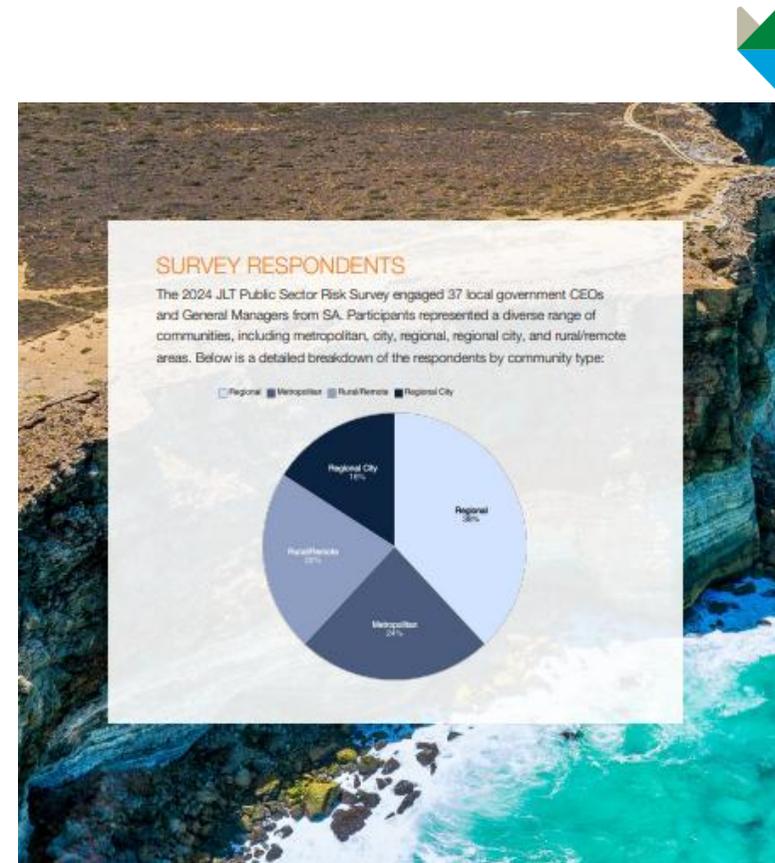
Strategic Risk Review – the future is now!

Management Team has had the opportunity to review, consider and contribute to the development of both the new Framework and the supporting processes. A new Strategic Risk Register has also been developed as part of this work, which more comprehensively captures the necessary data to monitor Council's strategic risks, including current controls, effectiveness of controls and planned further treatments.

Moving forward under the new Framework, Managers will review risks they 'responsible' for quarterly directly in the Register, which will inform an annual strategic risk review with Executive Leadership Team and Members, which will then be reported to the Audit and Risk Committee. It is anticipated this new process will have the opportunity to run a full cycle this calendar year, embedding the changes.

The Strategic Risk Register will be presented back to the Audit and Risk Committee following the strategic risk review with the Executive Leadership Team and Members later this calendar year, along with the new annual report on risk. This will include observations made in JLT's Public Sector Risk Report, which collates insights from 198 CEOs and General Managers in the local government sector across Australia for the financial year 2024/2025, as well a high level 'environmental scan' for Council, to inform the strategic risk review.

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What is our context?

Firstly, let's assess our context by doing a brief internal and external environmental scan for City of Mount Gambier at a point in time (now).

Internal –

- Risk management culture – developing maturity, importance of clarity of expectations and buy-in / ownership.
- Organisational structure – capacity, new CEO, workforce planning project, LG elections, visitor servicing / Wulanda reviews.
- Strategy and objectives – 2035 and Strategic Management Plan, service review project, site master planning, advocacy planning.

External –

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- Infrastructure – SA water, DIT roads, cost shifting, ageing third party infrastructure.
- Legislative and compliance – Crown land, Native Title, EPA, rate of legislative reform, increase in litigation culture.



What is the rest of sector saying?

[JLT Public Sector Risk Report SA 2024/2025](#) – top risks identified for LG in the State:

1. Financial Sustainability
2. Cyber Security
3. Assets & Infrastructure
4. People & Culture



JLT Public Sector Risk Report 2024/2025 – top risks identified for LG in Australia:

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5. People & Culture
6. Climate Change
7. Business Continuity Planning
8. Statutory & Regulation
9. Waste Management
10. Ineffective Governance
11. Reputation
12. Civil Liability Claims



Framework – what Framework?

Key changes to the documents and processes include:

- Review of Current Risk Ratings – Considering the existing strategic and operational context, as well as the status of treatments and controls.
- Review of Target Risk Ratings – Aligning with the Risk Appetite determined by Council.
- Review of Risk Areas and Consequence Levels – Ensuring alignment with the Risk Appetite and confirming their continued relevance to strategic risk management.
- Updates to Terminology and Presentation – Enhancing consistency and readability of the information presented in regular reporting.
- Expansion of the Framework to Include Opportunities – Promoting a balanced approach that not only mitigates potential threats but also identifies and maximises value-creating opportunities for the organisation and community.



	Negative					Positive					
Consequence Likelihood	Insignificant	Minor	Moderate	Major	Significant	Significant	Major	Moderate	Minor	Insignificant	Consequence Likelihood
Almost Certain	Medium	High	High	Extreme	Extreme	Extreme	Extreme	High	High	Medium	Almost Certain
Likely	Medium	Medium	High	High	Extreme	Extreme	High	High	Medium	Medium	Likely
Possible	Low	Medium	Medium	High	High	High	High	Medium	Medium	Low	Possible
Unlikely	Low	Low	Medium	Medium	High	High	Medium	Medium	Low	Low	Unlikely
Rare	Low	Low	Medium	Medium	Medium	Medium	Medium	Medium	Low	Low	Rare

What are City of Mount Gambier's Strategic Risks?

Strategic Risks	Inherent Rating	Residual (Current) Rating
1. Cyber Security & Artificial Intelligence - failure to maintain relevant level of maturity in cyber security and/or generative artificial intelligence leaves the organisation exposed to ransom, loss of organisation and community data and reputational damage.	Extreme	Extreme
2. Financial Stability - Council does not maintain financial sustainability as a result of ineffective management of revenue, expenditure, debt, liabilities and assets and/or the communities ability to meet increasing rate demands within the current cost of living climate.	High	Medium
3. Children & Vulnerable People - failure to prevent harm to children, young people and vulnerable people, or inability to maintain Child Safe Organisational standard with Department of Human Services.	High	Medium
4. Climate Change Preparedness - lack of organisational preparedness for increased frequency and severity of climate change events, emergency management planning and capability within organisation, community and other councils within LCLGA.	Medium	Medium
5. People, Culture & Workforce Planning - failure to ensure strategic, planned and effective workforce planning, including recruitment and retention, and a positive culture where people have capacity to innovate and grow.	High	High
6. WHS Management & Compliance - failure to provide a safe and compliant environment and effective systems to manage WHS in the workplace, and keep people safe from injury and harm.	High	Medium
7. Environmental Compliance - inability to meet environmental targets and legislative requirements impacting Council's ability to deliver on core services such as waste management, cemetery operations, conservation and water management, and heritage requirements.	High	High
8. Appropriate & Stable Infrastructure - inability to achieve long-term infrastructure sustainability, understanding asset consumption, planning for growth, and ensuring infrastructure decisions are based on reliable data and lifecycle costing due to ineffective asset management planning and alignment with financial strategy, inadequate maintenance and renewal strategies, and misalignment with community service level expectations resulting in deteriorating infrastructure, increased future costs, and intergenerational equity issues.	High	High
9. Governance & Legislative Compliance - failure to operate in accordance with relevant legislation, policies, governance and business practice to ensure professional and ethical standards are upheld, resulting in integrity agency investigation, erosion of trust with stakeholders, fines and penalties, or exposure to litigation.	High	Medium
10. Political Stability - ineffective management of the political environment including relationships with Elected body, State, Federal and Regional Local Governments resulting in misalignment and friction internally and externally with relevant stakeholders.	Medium	Medium
11. Procurement & Contracting - failure to achieve value-for-money outcomes or meet legislative and strategic objectives due to ineffective procurement and contract management practices, including poor planning, inadequate market engagement, non-compliance with procurement policies, and weak contract oversight, or limited procurement options as a result of regional location, resulting in financial loss, reputational damage, service delivery disruptions, and reduced accountability in supplier relationships.	High	Medium
12. Relationship, Connection & Engagement with Community - inability to maintain connected relationship with community, build trust in Council, or meaningfully engage on key services or projects resulting in strategic targets and objectives not being aligned to community expectation, resource wastage, and reputational damage.	High	Medium



5.2 EXTERNAL AUDIT SERVICES ENGAGEMENT 2026/2027 TO 2030/2031

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

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'External Audit Services Engagement 2026/2027 to 2030/2031' as presented on Wednesday 3 December 2025 be noted.
2. That the Audit and Risk Committee endorses the process to be used to appoint a new external auditor, and provided the following feedback:
 - xxx
 - xxx

PURPOSE

To outline the tender process for engaging external audit services for the 2026/2027 to 2030/2031 financial years. This includes presenting a draft specification for review by the Audit and Risk Committee.

TERMS OF REFERENCE

The Committee Shall:

12.5.1 Consider and make recommendations to the Council, in relation to the appointment, re-appointment and removal of the Council's external auditor.

12.5.2 Oversee the selection process for a new external auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.

12.5.3 Oversee Council's relationship with the external auditors including, but not limited to:

- Remuneration - Recommending the approval of the external auditor's remuneration, whether fees for audit or non-audit services, and recommending whether the level of fees is appropriate to enable an adequate audit to be conducted.
- Terms of Engagement - Recommending the approval of the external auditor's terms of engagement, including any engagement letter issued at the commencement of each audit and the scope of the audit.
- Independence & Objectivity - Assessing the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the extent of Council's relationship with the external auditors, including the provision of any non-audit services.
- Relationships - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Council (other than in the ordinary course of business).
- Assessment - Assessing the external auditor's qualifications, expertise and resources and the effectiveness of the audit process (which shall include a report from the external auditors on the Committee's own internal quality procedures).

RELEVANT LEGISLATION

Local Government Act 1999 (SA), Section 128

- A council must have an auditor, appointed by the council on the recommendation of its Audit and Risk Committee.
- The auditor must be a registered company auditor or a firm with at least one registered company auditor.
- The term of appointment must not exceed five (5) years, although reappointment is permitted after the term expires.
- A person is ineligible if they are a council member or a nominated candidate for council election.
- If a firm has held office as auditor for five successive financial years, the council:
 - must appoint a different auditor (either an individual registered company auditor or another firm comprising at least one registered company auditor); and
 - must not reappoint the original firm until at least five years have passed since it last held office.
- The Act also prescribes conditions for independence and allows removal of an auditor for reasonable cause.

BACKGROUND / OPTIONS

Previously, an audit firm could be reappointed after a 5-year term as long as they had an alternative partner that could be assigned to the audit. However, amendments made to the s128 of the Local Government Act 1999 by the Statutes Amendment (Local Government) Review Bill 2020 mean that this is no longer possible, and a new audit firm must be appointed at least once every 5 years. The previous firm cannot be reappointed for a period of 5 years.

The City of Mount Gambier currently has a professional services agreement with Dean Newbery for external audit services. This five-year contract concludes following the completion of audit services for the financial year ending 30 June 2026, noting that balance date audit work will occur after this date.

To ensure compliance and continuity, Council must engage a new external auditor by 30 June 2026 so that the appointed auditor can commence from 1 July 2026.

Tender documentation should be released no later than February 2026 to allow sufficient time for submissions, evaluation, and appointment.

Refer to **Annexure A – Audit Specifications** for details.

DETAILED IMPLICATIONS

Legal	Requirements for external auditor appointment and audit conduct are set out in Section 28 of the Local Government Act 1999. Key provisions include: <ul style="list-style-type: none"> • Council must have an auditor appointed on the recommendation of its Audit Committee. • The auditor must be a registered company auditor. • Appointment terms must not exceed five (5) years.
Financial and Budget	Council makes a budget allocation each year for the expenses associated with the conduct of the external audit.

Community Consultation and Engagement	N/A
Other Resources	N/A

RELEVANT COUNCIL POLICY

N/A

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

The procurement process will be managed as a select tender, aiming to appoint a new provider prior to 1 July 2025.

Evaluation Criteria (Weighted):

- Price – 40%
- Methodology – 30%
- Experience – 15%
- Organisational Structure/Resources – 15%

Proposed Tender Participants:

- Bentleys
- BDO
- Creative Auditing
- Galpins

This selection is based on current market share among South Australian councils:

- Dean Newbery – 30%
- Galpins – 30%
- Bentleys – 20%
- Creative Auditing – 10%
- BDO – 10%

While expanding to the broader market could introduce new perspectives, experience from other councils suggests this significantly increases internal workloads without delivering comparable insights. For example, Deloitte and PKF previously audited a small number of councils but no longer do so.

Committee members and administration will form the selection panel, and the preferred tenderer will be presented to the Audit and Risk Committee at its scheduled meeting on 4 February 2026. A recommendation will then be made to Council at its subsequent meeting, allowing time for final appointment.

CONCLUSION

The proposed process ensures Council will have a new external auditor in place for the financial year commencing 1 July 2025, enabling a smooth transition from Dean Newbery and incorporating Audit and Risk Committee input before a recommendation is made to Council.

ATTACHMENTS

1. Annexure A - Scope of External Audit Engagement [5.2.1 - 4 pages]

Annexure A Audit Specifications

1. Scope of the Audit

The auditor is to:

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

2. Audit Methodology and Approach

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

3. Critical Matters to be Audited

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

3.1 Governance and Control

- (a) Roles and Responsibilities
- (b) delegated Authorities
- (c) Council/Committee Minutes and Directions
- (d) Strategic/Business/Risk Management and Planning
- (e) Budget Management
- (f) Internal Controls including ICT Security

3.2 Financial Accounting and Reporting

- (a) Income
 - Rates revenue
 - Government grants
 - User pays revenue
 - Profit on sale of non-current assets
 - Other income
- (b) Expenses
 - Salaries and wages
 - Depreciation
 - Materials and contracts
 - Loss on sale or revaluation of non-current assets
 - Insurances
 - Bad debts
 - Other expenses
- (c) Current Assets
 - Cash at bank and short term investments
 - Receivables and prepayments
 - Inventories
- (d) Non-Current Assets
 - Property, plant, furniture and equipment
 - Infrastructure and accumulated depreciation thereon
 - Other receivables
- (e) Liabilities (current and non-current)
 - Creditors and accruals
 - Borrowings
 - Provisions for employee entitlements
- (f) Other
 - Statement of changes in equity
 - Disclosure of contingent liabilities
 - Disclosure of capital commitments
 - Disclosure of related party transactions
 - Accounting policies and notes to the financial statements
 - Statement of cash flows
 - Financial indicators as set out in the Model Financial Statements

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

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

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

5.3 EXTERNAL AUDIT MATTER - ASSET INDEXATION

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

RECOMMENDATION

1. That the (insert committee name) Committee report titled 'External Audit Matter - Asset Indexation' as presented on Wednesday 3 December 2025 be noted.
2. That the Audit and Risk Committee endorse the methodology undertaken and application of the recommended indexation of 1.2% to be applied as at 1 July 2025 in alignment with asset accounting policy.

PURPOSE

To provide an update to Audit and Risk Committee Members of the progress towards the matter raised by the external auditors as part of their Audit Completion Report for the 2024/2025 financial year regarding internal asset indexations.

TERMS OF REFERENCE

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

12.5.6 Audit Findings - Review the findings of the audit with the auditor.

This shall include, but not be limited to, the following:

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

12.1.2 Review and challenge - where necessary:

- The consistency of, and/or any changes to accounting policies.
- The methods used to account for significant or unusual transactions where different approaches are possible.
- The compliance with appropriate accounting standards and use of appropriate estimates and judgements, taking into account the views of the external auditor.
- The clarity of disclosure in the Council's financial reports and the context in which statements are made; and
- All material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

RELEVANT LEGISLATION

Section 126 - Audit and risk committee

(4) The functions of an audit committee include

(a) reviewing annual financial statements to ensure that they present fairly the state of the council; and

(c) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis.

Section 129 - Conduct of audit

(3) The auditor must provide to the council

(a) an audit opinion with respect to the financial statements, and

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

BACKGROUND / OPTIONS

Audit Completion Report:

Key Audit Matters Considered and Matters to be Considered in Future Years

The Audit completion report identified one audit matter to be addressed in future financial years as a result of the work undertaken by the external auditors.

1. **Internal Indexations** – review unit rates determined by recent capital expenditure and application of indexation as at 1 July 2025. Ensure internal indexations are always supported by either an independent peer review or an internal assessment comparing indexation rates against actual capital expenditure incurred in the year the indexation is applied.

Action: A review has been undertaken of unit rate costings for infrastructure, in particular roads, kerb and channel assets. There was some complexity in this review, especially following improvements made to internal cost allocations for project management and waste from 2024/2025 financial year. To ensure like for like comparatives, internal waste allocations were removed as they materially distort the unit rates.

Unit Rates Findings:

- Roads median 3.67% increase
- Kerb and Channel median 6.87% increase

Indexation

- Consumer Price Index (CPI) Adelaide as at 30/06/2025 1.8%
- CPI all cities as at 30/06/2025 2.1%
- Local Government Price Index – Capital 2.3% forecast for 2024/2025 financial year
- Local Government Price Index 2.5% forecast for 2024/2025 financial year

Application

The Asset Accounting Policy is silent on which inflation index to use. Based on the findings from the unit rate analysis, while factoring in the complexity and recent improvements implemented, the preferred application is a mid-point indexation of 2.1% (CPI all cities as listed above) and to move forward without the requirement of a peer review. The reasoning for this being that:

- Unit rates have been reviewed
- Revaluations on majority of infrastructure including kerbing and footpaths, roads and public lighting are next due as at 1 July 2026.
- It will allow quicker implementation and enable review and modelling of depreciation impacts
- the 1 July 2025 indexation application can be reviewed at interim audit
- Due to difficulties locating the actual LGPI rate for 2024/2025, the higher of the two CPI rates listed above are factual and reasonable.

Practically, this would mean an application of 1.2% (2.1% - 0.9% applied as at 30/06/2025) increase as at 1 July 2025.

Confirmation from external auditors

Correspondence has been undertaken with external auditors regarding the approach outlined above. The auditors response included the following:

“It would be reasonable to select a known CPI that is in-between the forecast LGPI and the CPI of Adelaide. If you document your assumptions and report these findings to the Audit and Risk Committee and they are satisfied with the approach, then we will also be satisfied.”

DETAILED IMPLICATIONS

Legal	n/a
Financial and Budget	There is a risk that this may increase depreciation and cause an unfavourable variance to budget. For noting indexation of 1.5% was built in to the 2025/2026 depreciation budget, leaving a potential shortfall of 0.6%. Depreciation modelling for budget purposes assumes that all carry forwards from the prior year and current year capital programs will be expensed across the financial year, with a large proportion in the latter months of the financial year. Generally there is always some amount of carry forward required.
Community Consultation and Engagement	n/a
Other Resources	n/a

RISK ANALYSIS

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

Risk	Consequence Rating	Risk Likelihood Rating	Risk Rating	Mitigation
Finance - That asset values and depreciation do not materially represent fair value and/or are not substantiated of evidence or peer review.	Minor (2)	Possible (3)	Moderate	Continue to review, analyse and compare unit rates annually. Apply closest indexation rate annually outside of a revaluation year.
Reputation - Loss of trust in financial administration causing.	Minor (2)	Unlikely (2)	Low	Continue to report on external audit matters and asset indexation
Service Delivery - Increase in depreciation results in reduced service provision	Minor (2)	Possible (3)	Moderate	As per above
Infrastructure - asset values are not commensurate with current replacement cost values causing budget shortfalls and inaccurate strategic planning	Minor (2)	Possible (3)	Moderate	As per above

RELEVANT COUNCIL POLICY

[Asset Accounting](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Following the Audit and Risk Committee review, Council administration will:

1. Apply indexation increase to relevant assets as at 1 July 2025 in accordance with the asset accounting policy.
2. Remodel depreciation impact
3. Include necessary adjustments in Budget Revision 2 and remodel through the Long Term Financial Plan.
4. Work with the external auditors in advance of the interim audit to review changes implemented.

CONCLUSION

In response to the external audit matter raised, a review of unit rates has been undertaken. Following this analysis, it is recommended that an indexation of 1.2% be applied to relevant asset classes in accordance with the asset accounting policy as at 1 July 2025 and that there is no requirement for a peer review.

ATTACHMENTS

Nil

5.4 PROCUREMENT AND CONTRACT MANAGEMENT POLICY

Author: Steph McIntosh, Procurement Business Partner
Authoriser: Paul Simpson, Chief Executive Officer
Jane Fetherstonhaugh, General Manager Corporate and Regulatory Services

RECOMMENDATION

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

PURPOSE

To present the amended Procurement and Contract Management Policy which is recommended for information and endorsement of the Audit and Risk Committee prior to presenting to Council for adoption.

TERMS OF REFERENCE

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

"The functions of the Audit and Risk Committee include, per the Local Government Act 1999, Division 2, Section 26(4):

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

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

"12.1.2 Review and challenge where necessary:

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

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

RELEVANT LEGISLATION

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

BACKGROUND / OPTIONS

Council periodically reviews its policies and procedures during each Council term, unless legislative provisions or administration execution require otherwise, to ensure they remain up

to date with legislative, administrative or civic requirements, Council and community expectation and emerging practices in the sector.

Prior Reviews of Policy

In December 2023, a major review was undertaken of the existing *P420 Procurement and Disposal of Land and Assets Policy*. This review resulted in the two policy functions being separated and as such, the current *Procurement Policy* was adopted.

Summary of Amendments to Policy

The main aim of this policy review was to:

- remove operational processes/information from the policy and develop two administrative principles which can be continuously improved to provide all staff with a formal framework when undertaking procurement activities;
- incorporate contract management principles and processes (as recommended by the Auditor-General’s Report 4 of 2025 “*Contract management in local government*”); and
- provide clarification around areas such as approval of spend and purchase of second-hand goods.

Due to the significant amount of formatting changes which have occurred, a high-level summary comparison of the old and new policy is provided below (rather than a version showing tracked changes).

Procurement Policy (current)	Procurement and Contract Management Policy (amended)	Amendments
Clause Number		
1. Introduction 2. Purpose	1. Introduction (combined)	Introduction and purpose combined into one clause with minor amendments
3. Scope	3. Scope	Includes reference to committees of Council which was previously under 12. Delegations. Reference to the “Art Curatorial and Preservation Policy” has been removed (this is now covered under administrative principle).
4. Definitions	2. Definitions	Amended as required
5. Roles and Responsibilities	8. Roles and Responsibilities	<ul style="list-style-type: none"> • Roles and responsibilities amended to combine CEO/General Managers (now ELT) with Management Team, Finance Team and WHS and Risk Management Team added in. • Additional dot point relating to management of private interests included for Council and Council Staff.
6. Policy Statements	6. Legislative Requirements	Change in heading and format. Previous clause 13. Records now included in this section.
7. Procurement Objectives	4. Principles	<ul style="list-style-type: none"> • Change to headings to make reference to principles rather than objectives (in line with what other Councils have done and consistent with our language). • “Social Inclusion” removed from Principle 8 (Local Economic Benefit and Social Inclusion) and included in Principle 9 (Social Impact) to create a combined Social Inclusion/Social Impact principle. • Purchasing of used goods has been included under Principle 7 (Environmental Sustainability).
	5. Policy	Clause added to separate policy requirements for Procurement and Contract Management.
8. Procurement Thresholds	5.1 Thresholds	<ul style="list-style-type: none"> • Footnotes are now covered under administrative principle.

		<ul style="list-style-type: none"> A note has been included in the policy to provide Council staff with direction when a formal procurement process is undertaken and the preferred tender/quote exceeds the amount approved in the Annual Business Plan and Budget. The value of procurement requiring a Council resolution has been increased from \$500,000 to \$750,000.
	5.2 Value of Procurement	No changes to wording.
9. Cumulative Spend	5.3 Cumulative Spend	No changes to wording.
10. Procurement Methods	5.4 Procurement Methods	Methods are listed, however details of each method have been moved to the administrative principle.
11. Exemptions from this Policy	5.6 Exemption from Competitive Process	General information remains in policy, however reasons for exemption are all now included in the administrative principle.
12. Delegations	3. Scope and 5.5 Delegations	Information relating to committees of Council is now covered under Scope.
13. Records	6. Legislative Requirements	Information relates to States Records Act so have been included in legislative requirements.
14. Prudential Requirements	6. Legislative Requirements	<ul style="list-style-type: none"> Information relates to Section 48 so has been included in legislative requirements. Conflict of Interest requirements from Section 73-75D and 120 of the Act now included.
15. Training/Education	7. Training/Education	No changes to wording.
16. Review of Policy	9. Review of Policy	No changes to wording.
17. Further Information	10. Further Information	<ul style="list-style-type: none"> Reference to "Petty Cash Administrative Procedure" removed as it no longer exist. Related policies and procedures updated.
18. Document Details	11. Document Details	No changes to wording.

Consultation

Council staff collaborated closely with members of the Executive Leadership Team (ELT) in the initial stages, followed by engagement with Elected Members through workshops held on 14 October and 4 November 2025. This collaborative approach ensured the amended policy aligns with legislative requirements and effectively supports Council's procurement principles.

Administrative Principles

The amended *Procurement and Contract Management Policy* is supported by two administrative principles:

- Procurement Administrative Principle – This administrative principle consolidates the operational components of the previous policy and provides administrative guidance on key processes such as purchase orders, exemption procedures, cumulative spend analysis and periodic reporting.
- Contract Management Administrative Principle – Drawing on key insights from the Auditor-General's Report 4 of 2025, *Contract Management in Local Government*, together with recommendations from the internal audit undertaken by UHY Haines Norton in May 2025, this administrative principle is designed to guide Council staff in effectively managing contracts. It provides clear direction on critical areas including contract security, contract types, insurance requirements, variations and risk management, ensuring a consistent and informed approach across Council.

Both documents are expected to evolve over time as Council's processes mature, particularly in the area of contract management.

DETAILED IMPLICATIONS

Legal	Section 49 of the Local Government Act 1999 requires Council to develop and maintain procurement policies, practices and procedures directed towards: (a) obtaining value in the expenditure of public money; and (b) providing for ethical and fair treatment of participants; and (c) ensuring probity, accountability and transparency in procurement operations.
Financial and Budget	There are no immediate financial implications arising from the amendments.
Community Consultation and Engagement	n/a
Other Resources	n/a

RISK ANALYSIS

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

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

RELEVANT COUNCIL POLICY

[Procurement](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

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

Following adoption by Council, an updated version of the policy will be made publicly available on Council’s website.

The associated administrative principles will be finalised and made available to all staff on Council's intranet.

CONCLUSION

The Procurement and Contract Management Policy is a key Council document that has undergone a comprehensive review, incorporating benchmarking against other South Australian councils, insights from the Auditor-General's Report, internal audit findings and evolving organisational requirements.

ATTACHMENTS

1. Council Policy - Procurement and Contract Management (Draft) [5.4.1 - 12 pages]
2. Council Policy - Procurement (To Be Revoked) [5.4.2 - 12 pages]
3. Administrative Principle - Procurement (Draft) [5.4.3 - 7 pages]
4. Administrative Principle - Contract Management (Draft) [5.4.4 - 6 pages]

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1. Introduction

City of Mount Gambier (Council) is committed to implementing fair, transparent and competitive purchasing and contracting practices achieving optimum value for money outcomes aligned to the Council's strategic objectives, community expectations and the requirements of any special funding sources.

This Policy seeks to:

- define the methods by which Council can acquire goods and services;
- demonstrate Probity, accountability, and responsibility of Council to all stakeholders;
- be fair and equitable to all parties involved;
- enable consistency of approach in the application of procurement processes; and
- ensure that parties to a contract meet their respective obligations as efficiently and effectively as possible to ensure that the best possible outcome is achieved.

Procurement and contract management administrative principles are maintained to support the application of this policy.

2. Definitions

The Act - means the Local Government Act 1999.

Contract Manager – means the Council officer responsible for the management and administration of a contract.

Conflict of Interest – means a situation where the private interests of a Council officer or member could improperly influence, or be seen to improperly influence, their duties.

Cumulative Spend – means the total amount of money spent on goods and services from the same supplier over a period of time.

Delegated Authority – means powers or duties delegated from Council to a Council officer. Expenditure sub-delegations, detailing authorised purchases, purchasing limits and the ability to enter an agreement are prescribed in Council's delegations register.

Direct Purchase – means a procurement process undertaken by directly approaching and negotiating with one supplier or contractor without testing the market. This method is generally only appropriate for low value and low risk goods and services.

Emergency Situation – means a situation where Council is required to remedy or make good damage incurred to Council property from a natural or man-made incident. The Chief Executive Officer has the authority to act in an Emergency Situation: goods and services in these instances may be purchased from a supplier or contractor without reference to the financial limitations provided in this Policy.

Expression of Interest (EOI) – means a process used to identify suppliers and contractors interested in, and capable of, delivering the required goods or services. Potential suppliers and contractors are asked to provide information on their capability and capacity to do the work. It is usually the first stage of a multi-stage procurement process.

Evaluation Criteria – means the criteria used to evaluate the compliance of suppliers' offers. The Evaluation Criteria, either mandatory, weighted or non-weighted, provide a standard against which Council will evaluate the quantitative (financial) and qualitative (non-financial) elements of suppliers' offers to identify the best fit-for-purpose, value for money solution.

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Exemption from Competitive Process – means the deviation from policy to pursue a method of procurement that will provide the best outcome for the Council.

Key Performance Indicator (KPI) – means a measurable value that demonstrates how effectively a supplier or contractor is achieving the objectives of a contract.

Market Approach – means the process undertaken to inform the market of your requirements to obtain offers to meet your requirements.

Probity – means uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.

3. Scope

This Policy applies to all procurement and contract management activities undertaken in the acquisition of goods or services on behalf of Council, whether solicited by Council, or the result of an unsolicited proposal from the private or not-for-profit sectors, and whether transacted via a trading account or Council expense card.

The procurement of goods and services must:

- only relate to business of the Council and must not be of a personal nature;
- be approved in accordance with Council’s delegations and any relevant Council policies; and
- be aligned to Council’s strategies, annual business plan and budget.

This Policy does not cover:

- non-procurement expenditures such as sponsorships, grants, funding arrangements, donations and employment agreements;
- real property acquisitions of land, buildings or structures;
- the disposal of land and other assets; and
- procurement processes during the Council caretaker period (these will be conducted under the requirements of the Council Election Caretaker Policy, however where the policy is silent, the requirements of this Policy will prevail).

Council’s normal budgetary process will consider these and determine authorisation as part of this process.

This Policy also applies to any Committee of Council, or other delegated bodies with specific Delegated Authority to procure good under its Terms of Reference. Where there is a conflict between the Terms of Reference and this Policy for the procurement of goods or services, this Policy will prevail.

4. Principles

This Policy is established based on the following key principles, which underpin Council’s position and activities relating to procurement and contract management:

Principle 1 – Open and Fair Competition

Open and fair competition will be fostered and maintained by providing suppliers and contractors with appropriate access to Council’s procurement opportunities. Council will ensure, where reasonably practicable, that:

- there is reasonable access for all suitable and competitive suppliers and contractors to the Council’s business;

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- where market circumstances limit competition, procurement activities recognise this, and associated methodology takes account of it; and
- adequate, identical and timely information is provided to all suppliers and contractors to enable them to submit a Quote or tender.

Principle 2 – Value for Money

Value for money outcomes can be achieved through balanced consideration of financial and non-financial factors relevant to the procurement.

The following factors should be considered:

- the contribution to Council's long-term plan and strategic direction;
- any relevant direct and indirect benefits to Council, both tangible and intangible;
- efficiency and effectiveness of the proposed procurement activity;
- the performance history, quality and scope of services, and support of each prospective supplier and contractor;
- fit for purpose of the proposed goods or service;
- whole of life costs including acquiring, using, maintaining and disposal;
- Council's internal administration costs;
- technical compliance issues and costs;
- risk exposure and WHS considerations;
- prevailing market forces and trends;
- the value of any associated environmental benefits;
- local economic development and social inclusion;
- trade-in values; and
- other relevant matters identified in specific procurement process documentation.

Principle 3 – Probity, Accountability and Transparency

All procurement shall be undertaken in a manner that ensures:

- clearly established roles and responsibilities;
- appropriate record keeping and documentation;
- integrity through transparency of process and documentation of decisions made;
- adherence to relevant legislation, policy and procedure;
- identification and management of actual or potential Conflicts of Interest; and
- confidentiality of all commercial information.

Principle 4 – Ethical Behaviour and Fair Dealing

All staff involved in procurement activities are to:

- behave with impartiality, fairness, openness, integrity, and professionalism
- provide all suppliers and contractors with equal opportunity to supply to Council;
- establish clear and easy to understand documentation requirements, Evaluation Criteria and methodology;
- provide consistent processes and constructive feedback on decisions upon request from suppliers and contractors; and
- ensure effective communication and provision of information to all suppliers and contractors.

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Principle 5 – Risk Management

The risk assessment process should consider financial, supply, business, legal, management, reputations, Probity, work health and safety, environmental, public safety, political and sensitive risks.

Risks relating to the procurement process may include:

- procurement of unsuitable product or service;
- funding (e.g. internal & external, impact on long term financial plan);
- Probity failure;
- inappropriate or inadequate specification;
- negotiation of agreement terms/failure to agree to terms;
- actual or perceived breach of Probity/confidentiality;
- lack of responses/limited supplier participation; and
- evaluation processes.

Risks relating to contract management may include:

- supplier capability/capacity/availability/performance;
- agreement management/supervision;
- price variations;
- agreement disputes; and
- unauthorised change in scope of work.

Council personnel will ensure that appropriate practices and procedures of internal control and risk management are in place for its procurement and contract management activities, including risk identification, assessment, and implementation of controls.

Risk assessments will focus on assessing a potential supplier's and contractor's capacity and capability to meet Council's requirements and identify any other factors which might result in goods or services not being successfully delivered.

Council's approach to market will be influenced by procurement risk assessments, with high-risk and high-value acquisitions requiring more formal procurement planning methodologies and higher levels of management oversight.

Principle 6 – Work Health and Safety

Council is committed to protecting health, safety, and welfare. Council personnel will ensure that its procurement activities protect the health, safety and welfare of its workers, elected members, customers, and community.

If the procurement of services, goods, materials or plant and equipment involves implications for work, health or safety, Council's Work Health & Safety & Risk Management Team should also be consulted prior to such procurement.

Where appropriate, procurement evaluation must ensure an appropriately skilled person confirms all WHS requirements.

Principle 7 – Environmental Sustainability

Council promotes environmental sustainability through its procurement activities and will consider the purchase of environmentally sustainable goods and services that satisfy the value for money criteria when all other financial and commercial considerations are equal.

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This can be by:

- purchasing recycled and environmentally preferred products where possible;
- purchasing used goods where safety, value for money and risk management requirements have been met;
- adopting purchasing practices which conserve natural resources;
- aligning the Council's procurement activities with principles of ecological sustainability;
- selecting products and services which have lower environmental impacts across their life cycle compared with competing products and services;
- integrating relevant principles of waste minimisation and conservation of energy.
- providing leadership to business, industry, and the community in promoting the use of environmentally sensitive goods and services; and
- fostering the development of products and services which have a low environmental impact.

Principle 8 – Local Economic Benefit

Council recognises the significant impact that its operations play in the local economy yet is mindful of its requirement to provide optimum value for money outcomes through its procurement activities and achieve budget expectations.

Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses by:

- promoting opportunities to supply to the Council to local and regional businesses;
- giving preference to local and regional businesses when all other commercial conditions are equal;
- considering economic elements such as employment creation and training opportunities specifically within the Council area; and
- reporting on local and regional direct economic participation.

Principle 9 – Social Inclusion

Council will endeavour to, at its discretion and to the full extent permitted by law, support our indigenous businesses by:

- encouraging Aboriginal and Torres Strait suppliers and contractors to quote and tender; and
- giving preference to Aboriginal and Torres Strait businesses when all other commercial conditions are equal to ensure local employment opportunities and economic stability and/or growth.

Where possible, Council will pursue procurement activities which generate social value through direct or indirect approaches, including but not limited to:

- people with a disability;
- women in business; and
- small to medium business.

Principle 10 – Effective Management of the End to End Procurement Lifecycle

The procurement lifecycle includes all of the steps and tasks within the procurement process, from needs identification and data gathering to contract management, delivery of goods or services and relationships with suppliers and contractors.

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Council personnel will determine appropriate methodology within the various steps of the procurement lifecycle including planning, risk management, tendering, purchasing, contracting and financial control with regard to the scale, complexity and importance of the goods or services being acquired.

5. Policy

The objective of this policy is to ensure procurement and contract management activities:

- represent value for money in the expenditure of public money;
- achieve the best possible outcome for the Council and community;
- encourage healthy competition between participants;
- result in the engagement of suppliers with safe, ethical, socially inclusive and environmentally responsible goods, works and services;
- comply with legislative requirements; and
- minimise contract risks and disputes.

Procurement

5.1 Thresholds

Procurements are to be in accordance with Council's financial thresholds outlined below:

Value of Procurement (\$)	Procurement Method	Minimum No. of Quotes	Approval to Spend	
			Within Budget Amount*	Over Budget Amount*
Up to \$2,000	Direct Purchase	0	As per Council's Delegations Register**	As per Council's Delegations Register**
\$2,001 to \$10,000	Direct Purchase	1		Refer Note Below
\$10,001 to \$50,000	Request for Quotation (RFQ)	2		
\$50,001 to \$100,000	Request for Quotation (RFQ)	3		
\$100,001 to \$750,000	Request for Tender (RFT)	3		Council Resolution
Over \$750,000	Request for Tender (RFT)	3		

* This refers to the amount approved in the Annual Business Plan and Budget.

** Refer clause 5.5 Delegations.

Note:

1. (a) Where a formal procurement process (ie. RFQ or RFT) is undertaken and the preferred quote/tender does not result in an increase to the overall endorsed budget, the procurement will proceed and the budget review process will be used to alert Council.
- (b) Where a formal procurement process (ie. RFQ or RFT) is undertaken and the preferred quote/tender results in an increase to the overall endorsed budget, the procurement will not proceed without the approval of Council.

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5.2 Value of Procurement

The value of the procurement is calculated as follows:

- **Single one-off procurement** (e.g. purchase of a mower) – the total amount, or estimated amount, of the procurement (excluding GST);
- **Multiple procurements with the same supplier or contractor** (e.g. purchase of two new mowers at the same time) – the combined gross value, or the estimated gross value, of the procurements (excluding GST); or
- **Ongoing procurements over time** – the total is calculated across all elements of the procurement process including any agreement options, extensions, renewals and contingencies (excluding GST) and should be considered in the planning phase of the project (e.g. the provision of a building maintenance service that costs \$25,000 per year on a two year contract that has an option to extend for a further two years, would have a procurement value of \$100,000).

Splitting the value of the purchase into individual components to meet with lower value of Purchase Thresholds is **not** permitted.

5.3 Cumulative Spend

Cumulative Spend is identified as the estimated value of the total proposed purchase(s), including any agreement options, extensions and renewals (exclusive of GST), and potential cumulative value of the goods or services supplied over a period of time ie twelve (12) months against a supplier and contractor.

Cumulative Spend shall be monitored annually by Council to determine whether the appropriate procurement process has been undertaken and/or an alternative procurement method is required to be undertaken to comply with this policy.

5.4 Procurement Methods

The method of procurement will be determined in accordance with the requirements of clause 5.1 Thresholds, with reference to a number of factors including procurement complexity, value, risks, characteristics of the supply market and Council’s strategic objectives.

Procurement methods include:

- Direct Purchase;
- Request for Quotations (RFQ);
- Expression of Interest (EOI);
- Request for Proposal (RFP);
- Request for Tender (RFT);
- Panel Contracts; and
- Strategic Alliances.

5.5 Delegations

Expenditure sub-delegations, detailing authorised purchases, purchasing limits and the ability enter into an agreement are prescribed in Council’s Delegations Register (available from Council’s website).

5.6 Exemption from Competitive Process

There may be Emergency Situations, or procurements in which a particular process will not necessarily deliver best outcome for the Council, and other Market Approaches may be more appropriate.

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The authority to provide an exemption from using the required method of procurement will be delegated to the Chief Executive Officer or the relevant General Manager in accordance with expenditure sub-delegations as prescribed in Council’s Delegations Register.

A request for waiver of a competitive process should not be viewed as a mechanism to remove the need for rigorous procurement planning and an appropriately completed exemption request form must detail the reasons why the exemption is necessary and the planning/investigation which has been undertaken. In approving an exemption, the approver will consider the scale, scope and relative risk of the purchase, including the principles defined in this Policy.

Circumstances where it may be appropriate to waive application of this policy can be found in the Procurement Administrative Principle.

In addition to the above, goods and services which are deemed integral to the day to day running of Council (for example utilities and government statutory charges) are not subject to the requirements of this policy. Although market engagement is not required for these goods and services, Council Officers must exercise due diligence to ensure value for money for Council. A list of these goods and services can be found in the Procurement Administrative Principle.

Contract Management

5.7 General Principles

Good contract management ensures goods, services and works are delivered to the required standards of quality and quantity as intended by the contract through:

- establishing a system monitoring and achieving the responsibilities and obligations of all parties under the contract;
- providing a means for the early recognition of issues and performance problems and the identification of solutions; and
- adhering to the Council’s risk management framework and relevant Work Health and Safety and sustainability requirements.

5.8 Contract Establishment

- Council may select from the following methods of executing a contract and these may be executed through the use of electronic signatures:
 - Purchase order
 - Letter of Award
 - Works Agreement
 - Services Agreement
 - Goods Agreement
 - Panel Header Agreement
 - Memorandum of Understanding
- Contracts must be signed or executed only by Council Officers with the required level of financial delegation, or where delegation has been provided for a specific procurement by Council resolution.

5.9 Contract Management

- Contracts are to be proactively managed by an appropriately skilled and trained member of Council staff responsible for the delivery of the contracted goods, services or works to ensure the Council and therefore the community, receives Value for Money.

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- Contract management requirements are to be commensurate with the complexity of the procurement. For significant contracts that are strategically critical and of relatively high value, Council will provide additional senior oversight to the management.

5.10 Contract Performance

- Council will proactively reinforce the performance of obligations and responsibilities under a contract.
- Contract Mangers should inform suppliers of their contract deliverables and Key Performance Indicators in order to provide feedback on a regular basis. A reporting process, appropriate for the contract based on its value and risk should be established and regular contract performance reviews conducted and shared with the contractor/supplier. This should include an opportunity for the contractor/supplier to provide feedback on internal issues impacting their performance.
- Where a dispute concerning the contract arises, the Contract Manager is to take a leadership role in dispute resolution.

5.11 Contract Variations

- Variations should not be used to mask poor performance or serious underlying problems, including poor project scoping and/or omissions from specifications. The effect on the original timeframe, deliverables and value for money should be assessed. If the effects are significant,
- A variation to a contract may be proposed by either party to the contract and may refer to addition, removing or amending an existing contract provision and may include a change to the scope and/or value of the contract.
- Any contract variations must be approved by the Delegated Authority.
- Variations resulting in an increase to the overall value of the contract must be approved in accordance with Clause 5.1 Thresholds.

5.12 Contract Completion

A contract is considered complete when all activity associated with the contract has ceased and all accounts have been paid. Tasks that may be required by the Contract Manager at the completion of a contract include:

- ensuring the contract deliverables have been met in accordance with the contract requirements;
- ensuring that permits and approval conditions have been satisfied;
- confirming that contract records are complete and accurate;
- acquitting and reporting any funding grants;
- ensuring any defects, omissions or outstanding services have been rectified, completed or delivered;
- issuing of contract documentation ie. certificate of practical completion and final certificate; and
- returning any security held.

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6. Legislative Requirements

6.1 Local Government Act 1999 (Section 48 – Prudential Requirements for Certain Activities)

This policy is to be administered with regard to and consistent with Council’s Prudential Management Policy, practices and procedures and s48 of the Local Government Act 1999.

6.2 Local Government Act 1999 (Section 49 – Contracts and Tender Policies)

In compliance with Section 49 of the Local Government Act 1999 (Act), Council should refer to this policy (Policy) when acquiring goods or services.

Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:

- the contracting out of services;
- competitive tendering and the use of other measures to ensure that services are delivered cost effectively; and
- the use of local goods and services.

Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:

- obtaining value in the expenditure of public money;
- providing for ethical and fair treatment of participants; and
- ensuring Probity, accountability and transparency in all operations.

6.3 Local Government Act 1999 (Sections 73-75D and Section 120 – Conflict of Interest)

Sections 73-75D and 120 of the Local Government Act 1999 (Act), sets out the requirements for disclosure and management of conflicts of interest for members and employees of a Council respectively.

6.4 State Records Act 1997

The Council must maintain records of procurement activities in accordance with the State Records Act 1997 and Council’s records management policies and procedures. At a minimum, documentation which details the procurement method, risk, evaluation plan and evaluation result, must be prepared and maintained for each relevant procurement. The preferred method of capturing procurement activity records is through use of established templates available to Council officers.

7. Training/Education

Training will be provided to key members of staff, the Executive Leadership Team and Elected Members as required.

8. Roles and Responsibilities

Council:

Council is responsible for:

- approving an appropriate procurement and contract management policy; and
- ensuring their private interests do not improperly influence, or be seen to improperly influence, their duties.

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Executive Leadership Team:

The Executive Leadership Team ensures that:

- there are appropriate resources to fulfil the effective outcomes of this policy; and
- that they comply with this policy; and
- they review the processes and value of this policy.

Management Team:

The Management Team ensures that:

- they comply with this policy;
- there are appropriate resources to fulfil the effective outcomes of this policy;
- they actively participate in procurement processes;
- they show leadership in ensuring Value for Money procurement; and
- they give due consideration to timelines and budget implications.

Finance Team:

The Finance Team ensures that:

- they provide advice and guidance on best practice and adherence to this policy in all procurement undertakings; and
- they raise concerns to management where best practice may not have been adhered to.

Work Health & Safety and Risk Management Teams:

The Work Health & Safety and Risk Management Teams provide advice and guidance on best practice and adherence to this policy in all procurement undertakings.

Council Staff:

Council staff who undertake procurement activities are responsible for ensuring:

- appropriate procurement practices and procedures, including the identification of risk, are observed; and
- their private interests do not improperly influence, or be seen to improperly influence, their duties.

9. Review of Policy

This Policy will be reviewed:

- every four years; or
- the frequency dictated in legislation; or
- earlier in the event of changes to legislation or related policies and procedures; or
- if deemed necessary by the General Manager Corporate and Regulatory Services.

10. Further Information

This Policy will be published on the Council's website and will be available for inspection at the principal office of the Council.

A copy of this Policy will be provided to any person upon request following payment of a fee as prescribed in Council's Schedule of Fees and Charges.

File Reference:	AF18/48
Applicable Legislation:	Local Government Act 1999 State Records Act 1997
Strategic Reference:	Priority 6: Excellence in Leadership and Governance
Related Policies:	Council Policies: Behavioural Management Policy Budget Policy (B300)

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	Disposal of Land and Assets Policy Fraud, Corruption, Misconduct and Maladministration Public Interest Disclosure (P900) Prevention Policy (F225) Prudential Management (P415) Records Management (R180) Risk Management <u>Administrative Principles:</u> Contract Management Procurement Risk Management
Related Procedures:	Procure to Pay Administrative Procedures Corporate Card Administrative Procedure
Related Documents:	Code of Conduct – Employee Conflict of Interest Guidelines (LGA, October 2016) Procurement Templates (AF17/47)

11. Document Details

Responsibility:	General Manager Corporate and Regulatory Services
Version:	2.0
Last revised date:	12 December 2023
Effective date:	xxx
Minute reference:	xxx
Next review date:	xxx
<u>Document History</u>	
First Adopted By Council:	12 December 2023
Reviewed/Amended:	xxx

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1. INTRODUCTION

Council is committed to implementing fair, transparent and competitive purchasing and contracting practices achieving optimum value for money outcomes aligned to the Council’s strategic objectives, community expectations and the requirements of any special funding sources.

A procurement administrative framework is maintained to support the application of this policy.

2. PURPOSE

In compliance with Section 49 of the *Local Government Act 1999* (Act) and best practice principles in procurement, this Policy seeks to:

- define the methods by which Council can acquire goods and services;
- demonstrate probity, accountability, and responsibility of Council to all stakeholders;
- be fair and equitable to all parties involved;
- enable consistency of approach in the application of procurement processes; and
- ensure that the best possible outcome is achieved for Council.

3. SCOPE

This Policy applies to all procurement activities undertaken in the acquisition of goods or services on behalf of Council, whilst giving due regard to financial thresholds outlined in *Procurement Thresholds - Clause 10* below, whether solicited by Council, or the result of an unsolicited proposal from the private or not-for-profit sectors, and whether transacted via a trading account or Council expense card.

The procurement of goods and services must:

- only relate to business of the Council and must not be of a personal nature; and
- be approved in accordance with Council’s delegations and any relevant Council policies.

This Policy does not cover:

- non-procurement expenditures such as sponsorships, grants, funding arrangements, donations, and employment agreements;
- real property acquisitions of land, buildings, or structures;
- the disposal of land and other assets;
- the acquisition/borrowing of art pieces and curating of exhibitions (these will be conducted under the Art Curatorial and Preservation Policy once adopted, however until that time the requirements of this policy will apply); or
- procurement processes during the Council Caretaker period (these will be conducted under the requirements of the Council Election Caretaker Policy, however where the policy is silent, the requirements of this Procurement Policy will prevail).

However, Council’s normal budgetary process will consider these and determine authorisation as part of this process.

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4. DEFINITIONS

In this Policy, unless the contrary intention appears, these words have the following meanings:

Key Term – Acronym	Definition
Acquisition Plan	a document that outlines the procurement methodology and sourcing strategy to be undertaken in a proposed procurement.
Agreement	An agreement between two or more authorised persons on behalf of their organisations to perform or not perform a specific act that is enforceable in law. An agreement may be verbal, written or inferred by conduct.
Contractor	Is an individual or organisation that is formally engaged to provide goods or services for or on behalf of an entity. This definition does not apply to casual, fixed-term or temporary employees directly employed by the entity.
Cumulative Spend	The total amount of money spent on goods and services from the same supplier over a period of time.
Delegated Authority	Powers or duties delegated from Council to a Council Officer.
Direct Purchase	Procurement process undertaken by directly approaching and negotiating with one supplier or contractor without testing the market. This method is generally only appropriate for low value and low risk goods and services.
Emergency Situation	A situation where Council is required to remedy or make good damage incurred to Council property from a natural or man-made incident. The Chief Executive Officer has the authority to act in an Emergency Situation: goods and services in these instances may be purchased from a supplier or contractor without reference to the financial limitations provided in this Policy.
Expression of interest (EOI)	Used to identify suppliers and contractors interested in, and capable of, delivering the required goods or services. Potential suppliers and contractors are asked to provide information on their capability and capacity to do the work. It is usually the first stage of a multi-stage procurement process.
Evaluation Criteria	The criteria used to evaluate the compliance of suppliers' offers. The evaluation criteria, either mandatory, weighted or non-weighted, provide a standard against which Council will evaluate the quantitative (financial) and qualitative (non-financial) elements of suppliers' offers to identify the best fit-for-purpose, value for money solution.
Exemption from Competitive Process	The deviation from policy to pursue a method of procurement that will provide the best outcome for the Council.

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Key Term – Acronym	Definition
Goods	A physical or tangible item that does not include a labour component
Lifecycle cost	The total cost of an item or system over its full life. It includes the cost of development, production, ownership (operation, maintenance, support), and disposal, if applicable. Also referred to as whole of life cycle cost or total cost of ownership.
Local Supplier	A supplier or contractor which is beneficially owned by persons who are residents or ratepayers of the Council, or has its principal business within the Council area, or a business that substantially employs persons who are residents or ratepayers.
Market Approach	The process undertaken to inform the market of your requirements to obtain offers to meet your requirements.
Prequalified Contractor	Contractors who have provided details which have been formally assessed against pre-defined criteria. These criteria usually include capability/experience, Work Health and Safety (WHS), quality and environmental certification, financial sustainability, work methods, insurances and licences.
Probity	Uprightness, honesty, proper and ethical conduct and propriety in dealings. It is often also used in government in a general sense to mean good process.
Procurement	A series of activities that are undertaken when purchasing goods and services, based on three key phases, : planning, purchasing and contract management
Procurement process	The step-by-step process for the planning, establishment and contract management of small and large acquisitions.
Purchasing	The process by which an organisation contracts with another party to obtain the goods and services required to fulfil its business objectives.
Quotation/quote	An offer to supply goods and/or services, usually in response to an invitation to supply known as a request for quotation. Often used interchangeably with proposal, tender, bid and offer.
Services	An intangible supply or effort. Also referred to as “works”.
Value for Money	The optimal combination of financial and non-financial factors through the lifecycle of the goods and services procured.

5. ROLES AND RESPONSIBILITIES

Council:

Council is responsible for approving an appropriate Procurement policy.

Chief Executive Officer:

The Chief Executive Officer ensures that:

- there are appropriate resources to fulfil the effective outcomes of this policy; and
- that they comply with this policy; and

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- they review the processes and value of this policy.

General Managers:

The General Managers ensure that:

- there are appropriate resources to fulfil the effective outcomes of this policy; and
- they comply with this policy.

Council Staff:

Council staff with financial delegated authority to procure will be responsible for ensuring appropriate procurement practices and procedures, including the identification of risk are observed.

6. POLICY STATEMENTS

- 6.1 In compliance with Section 49 of the Local Government Act 1999 (Act), Council should refer to this policy (Policy) when acquiring goods or services.
- 6.2 Section 49 of the Act requires Council to prepare and adopt policies on contracts and tenders on:
- the contracting out of services;
 - competitive tendering and the use of other measures to ensure that services are delivered cost effectively; and
 - the use of local goods and services.
- 6.3 Furthermore, Section 49 (a1) of the Act requires Council to develop and maintain policies, practices and procedures directed towards:
- obtaining value in the expenditure of public money;
 - providing for ethical and fair treatment of participants; and
 - ensuring probity, accountability and transparency in all operations.

7. PROCUREMENT OBJECTIVES

Council is committed to achieving a range of objectives through its procurement processes that may be considered alongside achieving value for money outcomes. Such objectives should be support by appropriate evaluation criteria and weightings and decisions of Council.

Procurement activities undertaken by Council can include the following objectives:

7.1 Open and Fair Competition

Open and fair competition will be fostered and maintained by providing suppliers and contractors with appropriate access to Council's procurement opportunities. Council will ensure, where reasonably practicable, that:

- there is reasonable access for all suitable and competitive suppliers and contractors to the Council's business;
- where market circumstances limit competition, procurement activities recognise this, and associated methodology takes account of it; and
- adequate, identical and timely information is provided to all suppliers and contractors to enable them to quote or tender.

7.2 Value for Money

Value for money outcomes can be achieved through balanced consideration of financial and non-financial factors relevant to the procurement.

The following factors should be considered:

- the contribution to Council's long-term plan and strategic direction;

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- any relevant direct and indirect benefits to Council, both tangible and intangible;
- efficiency and effectiveness of the proposed procurement activity;
- the performance history, quality and scope of services, and support of each prospective supplier and contractor;
- fit for purpose of the proposed goods or service;
- whole of life costs including acquiring, using, maintaining and disposal;
- Council's internal administration costs;
- technical compliance issues and costs;
- risk exposure and WHS considerations;
- prevailing market forces and trends;
- the value of any associated environmental benefits;
- local economic development and social inclusion;
- trade-in values; and
- other relevant matters identified in specific procurement process documentation.

7.3 Probity, Accountability and Transparency

All procurement shall be undertaken in a manner that ensures:

- clearly established roles and responsibilities;
- appropriate record keeping and documentation;
- integrity through transparency of process and documentation of decisions made;
- adherence to relevant legislation, policy and procedure;
- identification and management of actual or potential conflicts of interest; and
- confidentiality of all commercial information.

7.4 Ethical Behaviour and Fair Dealing

All staff involved in procurement activities are to:

- behave with impartiality, fairness, openness, integrity, and professionalism
- provide all suppliers and contractors with equal opportunity to supply to Council;
- establish clear and easy to understand documentation requirements, evaluation criteria and methodology;
- provide consistent processes and constructive feedback on decisions upon request from suppliers and contractors; and
- ensure effective communication and provision of information to all suppliers and contractors.

7.5 Risk Management

The risk assessment process should consider financial, supply, business, legal, management, reputations, probity, work health and safety, environmental, public safety, political and sensitive risks.

Risks relating to the procurement process may include:

- procurement of unsuitable product or service;
- funding (e.g. internal & external, impact on long term financial plan);
- probity failure;
- inappropriate or inadequate specification;
- negotiation of agreement terms/failure to agree to terms;
- actual or perceived breach of probity/confidentiality;
- lack of responses/limited supplier participation; and
- evaluation processes.

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Risks relating to the engagement of the product/service provider may include:

- supplier capability/capacity/availability;
- agreement management/supervision;
- price variations;
- agreement disputes; and
- unauthorised change in scope of work.

Council personnel will ensure that appropriate practices and procedures of internal control and risk management are in place for its procurement activities, including risk identification, assessment, and implementation of controls.

Procurement risk assessments will focus on assessing a potential supplier's and contractor's capacity and capability to meet Council's requirements and identify any other factors which might result in goods or services not being successfully delivered.

Council's approach to market will be influenced by procurement risk assessments, with high-risk and high-value acquisitions requiring more formal procurement planning methodologies and higher levels of management oversight.

7.6 Work Health and Safety

Council is committed to protecting health, safety, and welfare. Council personnel will ensure that its procurement activities protect the health, safety and welfare of its workers, elected members, customers, and community.

If the procurement of services, goods, materials or plant and equipment involves implications for work, health or safety, Council's Work Health & Safety & Risk Management Team should also be consulted prior to such procurement.

Where appropriate, procurement evaluation must ensure an appropriately skilled person confirms all WHS requirements.

7.7 Environmental Sustainability

Council promotes environmental sustainability through its procurement activities and will consider the purchase of environmentally sustainable goods and services that satisfy the value for money criteria when all other financial and commercial considerations are equal. This can be by:

- purchasing recycled and environmentally preferred products where possible;
- adopting purchasing practices which conserve natural resources;
- aligning the Council's procurement activities with principles of ecological sustainability;
- selecting products and services which have lower environmental impacts across their life cycle compared with competing products and services;
- integrating relevant principles of waste minimisation and conservation of energy.
- providing leadership to business, industry, and the community in promoting the use of environmentally sensitive goods and services; and
- fostering the development of products and services which have a low environmental impact.

7.8 Local Economic Benefit and Social Inclusion

Council recognises the significant impact that its operations play in the local economy yet is mindful of its requirement to provide optimum value for money outcomes through its procurement activities and achieve budget expectations.

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		Next Review:	December 2027

Council will endeavour to, at its discretion and to the full extent permitted by law, support local businesses by:

- promoting to local and regional businesses opportunities to supply to the Council;
- giving preference to local business when all other commercial considerations are equal;
- encouraging Aboriginal and Torres Strait suppliers and contractors to quote and tender.
- giving preference to Aboriginal and Torres Strait, local and regional businesses when all other commercial conditions are equal to ensure local employment opportunities and economic stability and/or growth; and
- considering economic and social inclusion elements such as employment creation and training opportunities specifically within the Council area.

7.9 Social Impact

Where possible, Council will pursue procurement activities which generate social value through direct or indirect approaches, including but not limited to:

- indigenous suppliers and contractors;
- people with a disability;
- women in business; and
- small to medium business.

7.10 Effective Management of the End to End Procurement Lifecycle

The procurement lifecycle includes all of the steps and tasks within the procurement process, from needs identification and data gathering to contract management, delivery of goods or services and relationships with suppliers and contractors.

Council personnel will determine appropriate methodology within the various steps of the procurement lifecycle including planning, risk management, tendering, purchasing, contracting and financial control with regard to the scale, complexity and importance of the goods or services being acquired.

8. **PROCUREMENT THRESHOLDS**

Procurements are to be in accordance with Council's financial thresholds outlined below:

Value of Procurement (\$)	Procurement Method	Policy Clause	Minimum No. of Quotes	Approver
Up to \$2,000	Direct Purchase	10.1	0	As per Financial Delegation
\$2,001 to \$10,000	Direct Purchase ¹	10.1	1	
\$10,001 to \$50,000	Request for Quotation (RFQ) ¹	10.2	2	
\$50,001 to \$100,000	Request for Quotation (RFQ) ²	10.2	3	
\$100,001 to \$500,000	Request for Tender (RFT) ^{2 3}	10.5	3	
Over \$500,000	Request for Tender (RFT) ^{2 3}	10.5	3	Council Resolution

¹ Evidence of cost estimate/s or written quotation/s to be recorded in Council's records management system. Where a schedule of rates has been submitted by a supplier under a panel arrangement, this may be used as evidence of quotation and referenced as required.

² Competitive process to be undertaken in consultation with procurement staff

³ Prior to undertaking a formal tender process Council may invite Expressions of Interest (refer clause 10.3)

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Procurement Method	Decision Making Delegations
Direct Purchasing (Formal Supply Contracts)	<ul style="list-style-type: none"> • Authorised Officer – up to \$ limit • Chief Executive Officer – up to budget
Panel Contracts	<ul style="list-style-type: none"> • Authorised Officer – up to \$ limit • Chief Executive Officer – up to budget
Strategic Alliances	<ul style="list-style-type: none"> • Authorised Officer – up to \$ limit • Chief Executive Officer – up to budget

The value of the procurement is calculated as follows:

- **Single one-off procurement** (e.g. purchase of a mower) – the total amount, or estimated amount, of the procurement (excluding GST);
- **Multiple procurements with the same supplier or contractor** (e.g. purchase of two new mowers at the same time) – the combined gross value, or the estimated gross value, of the procurements (excluding GST); or
- **Ongoing procurements over time** – the total is calculated across all elements of the procurement process including any agreement options, extensions, renewals and contingencies (excluding GST) and should be considered in the planning phase of the project (e.g. the provision of a building maintenance service that costs \$25,000 per year on a two year contract that has an option to extend for a further two years, would have a procurement value of \$100,000).

Splitting the value of the purchase into individual components to meet with lower value of Purchase Thresholds is **not** permitted.

9. CUMULATIVE SPEND

Cumulative spend is identified as the estimated value of the total proposed purchase(s), including any agreement options, extensions and renewals (exclusive of GST), and potential cumulative value of the goods or services supplied over a period of time ie twelve (12) months against a supplier and contractor.

Cumulative Spend shall be monitored annually by Council to determine whether the appropriate procurement process has been undertaken and/or an alternative procurement method is required to be undertaken to comply with this policy.

10. PROCUREMENT METHODS

The method of procurement will be documented in an Acquisition Plan (in accordance with the requirements of clause 8 Procurement Thresholds), with reference to a number of factors including procurement complexity, value, risks, characteristics of the supply market and Council's strategic objectives.

10.1 Direct Purchasing

- Direct purchasing is a procurement method undertaken by directly approaching and negotiating with one (1) supplier or contractor.
- Procurement method may be conducted where transactions are of low value and low risk.
- Prices should be tested for currency prior to awarding supplier or contractor to give consideration to Value for Money.
- Payment options available to the Council for direct purchasing include corporate cards, employee purchase reimbursement and store credit (purchase order) payment via Electronic Funds Transfer (EFT).

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10.2 Request for Quotations (RFQ)

- This is where Council obtains quotations from prospective suppliers or contractors for the provision of low value, low risk goods and services.
- This method may be suitable for simple, largely price-based purchases.

10.3 Expressions of Interest (EOI)

- Expressions of Interest are useful when the number of suppliers or contractors, market size or the approach to solving a problem is largely unknown.
- Such a process can form the platform for a future Request for Tender for the goods and/or services required.
- Council should attempt to assess the market before conducting an EOI process and refine its requirements as much as possible to ensure responses are targeted appropriately.

10.4 Request for Proposal (RFP)

Request for Proposals are useful when Council has identified a need for goods or services and wishes to invite qualified suppliers or contractors to propose solutions to meet the need.

10.5 Request for Tender (RFT)

- This is where the Council issues a tender for the goods or services required.
- Council may issue a “Select” Request for Tender where it has already issued an EOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers or contractors.
- Otherwise, Council may issue an “Open” Request for Tender.

10.6 Panel Contracts

Council may establish its own panel arrangements with a select group of suppliers or contractors to increase efficient procurement of goods and services.

- Panels must be established following the principles of this Policy.
- Any panels must operate under an Agreement and managed for performance and on-going value for money opportunities.

10.7 Strategic Alliances

If the Council enters into a strategic alliances procurement process under this Policy then there will be no requirement for the Council to approach the wider market or enter into a separate RFT/RFQ as an open tender process has already been undertaken. Council can meet its procurement requirements through contractual arrangements established and administered by other organisations that demonstrate adherence to the requirements of this policy. The use by the Council of strategic alliances means that the methods of procurement set out in this policy will be undertaken pursuant to and in accordance with the arrangements set out under the strategic alliance.

These include, but is not limited to:

- LGA Procurement (via VendorPanel);
- a purchasing group of which the Council is a member;
- some State Government contracts; and
- ad hoc alliances created with other Local Government entities.

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11. EXEMPTIONS FROM THIS POLICY

11.1 Exemptions where Documented Approval of Exemption is Required

There may be emergencies, or procurements in which a particular process will not necessarily deliver best outcome for the Council, and other market approaches may be more appropriate.

The authority to provide an exemption from using the required method of procurement will be delegated to the Chief Executive Officer or the relevant General Manager in accordance with expenditure sub-delegations as prescribed in Council’s Delegations Register.

A request for waiver of a competitive process should not be viewed as a mechanism to remove the need for rigorous procurement planning and an appropriately completed exemption request form must detail the reasons why the exemption is necessary and the planning/investigation which has been undertaken. In approving an exemption, the approver will consider the scale, scope and relative risk of the purchase, including the principles defined in this Policy.

Situations where it may be appropriate to waive application of this policy are:

- a) there may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property;
- b) there may be a significant risk to Council’s operations;
- c) the pressures of time are such that an open tender call is not feasible, such as where there has been an unanticipated Council or Government policy decision;
- d) Council purchases assets or goods at an auction up to \$100,000;
- e) Council purchases second hand assets or goods up to \$100,000;
- f) a supplier or contractor is evidenced to be a “sole supplier or contractor” in the market and effectively a niche specialist or monopoly, rendering the tender process redundant;
- g) a supplier or contractor who has considerable background knowledge and experience, or specialist expertise on that particular Council project or asset e.g. an extension of a previous project. In such circumstances, the procurement of assets, goods, or services on negotiated fees and terms through that supplier or contractor alone may be deemed sound and advantageous to the project. This could include engaging the supplier or contractor on a retainer basis for a specialised period of time;
- h) continuation of services under an existing purchasing arrangement (i.e. variations/ extensions to existing purchase orders or agreements);
- i) goods or services are being provided under an existing purchasing arrangement (i.e. warranty, servicing, maintenance or defects liability);
- j) where knowledge, design and/or intellectual property is being retained to secure continuity of a staged initiative which may be disadvantaged (e.g. time, objective, financially) if subjected to a further competitive engagement process; or
- k) Council has entered into a Strategic Alliance procurement process in accordance with clause 10.7 of this policy.

11.2 Exemptions where Documented Approval is Not Required

Goods and services which are deemed integral to the day to day running of Council (for example utilities and government statutory charges) are not subject to the requirements of this policy. A list of these goods and services can be found in the Procure to Pay Administrative Framework.

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Although market engagement is not required, Council Officers must exercise due diligence to ensure value for money for Council.

12. DELEGATIONS

- Expenditure sub-delegations, detailing authorised purchases, purchasing limits and the ability to enter an agreement are prescribed in Council's Delegations Register.
- This Policy also applies to any Committee of Council, or other delegated bodies with specific delegated authority to procure good under its Terms of Reference. Where there is a conflict between the Terms of Reference and this Policy for the procurement of goods or services, this Policy will prevail.

13. RECORDS

The Council must maintain records of procurement activities in accordance with the State Records Act 1997 and Council's records management policies and procedures. At a minimum, documentation which details the procurement method, risk, evaluation plan and evaluation result, must be prepared and maintained for each relevant procurement. The preferred method of capturing procurement activity records is through use of established templates available to Council officers.

14. PRUDENTIAL REQUIREMENTS

This policy is to be administered with regard to and consistent with Council's Prudential Management Policy, practices and procedures and s48 of the Local Government Act 1999.

15. TRAINING/EDUCATION

Training will be provided to key members of staff, the Executive Leadership Team and Elected Members as required.

16. REVIEW OF POLICY

This Policy will be reviewed:

- every four years; or
- the frequency dictated in legislation; or
- earlier in the event of changes to legislation or related policies and procedures; or
- if deemed necessary by the General Manager Corporate and Regulatory Services.

17. FURTHER INFORMATION

This Policy will be published on the Council's website and will be available for inspection at the principal office of the Council.

A copy of this Policy will be provided to any person upon request following payment of a fee as prescribed in Council's Schedule of Fees and Charges.

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File Reference:	AF18/48
Applicable Legislation:	Local Government Act 1999 (s49)
Reference: Strategic Plan 2020-2024	Goal 3 – Our Diverse Economy
Related Policies:	B300 Budget Framework F225 Fraud, Corruption, Misconduct and Maladministration Prevention Policy R305 Risk Management R180 Records Management P415 Prudential Management Disposal of Land and Assets Policy Behavioural Management Policy
Related Administrative Procedures:	Procure to Pay Administrative Framework Procure to Pay Administrative Procedures Petty Cash Administrative Procedure Corporate Card Administrative Procedure Corporate Expenditure Administrative Procedure (Draft)
Related Documents:	Procurement Templates (AF17/47) Code of Conduct – Employee

18. DOCUMENT DETAILS

Responsibility:	General Manager Corporate and Regulatory Services
Version:	1.0
Last revised date:	
Effective date:	12 December 2023
Minute reference:	12 December 2023 – Item 16.5 – Resolution 2023/255
Next review date:	December 2027
Document History First Adopted By Council: Reviewed/Amended:	12 December 2023

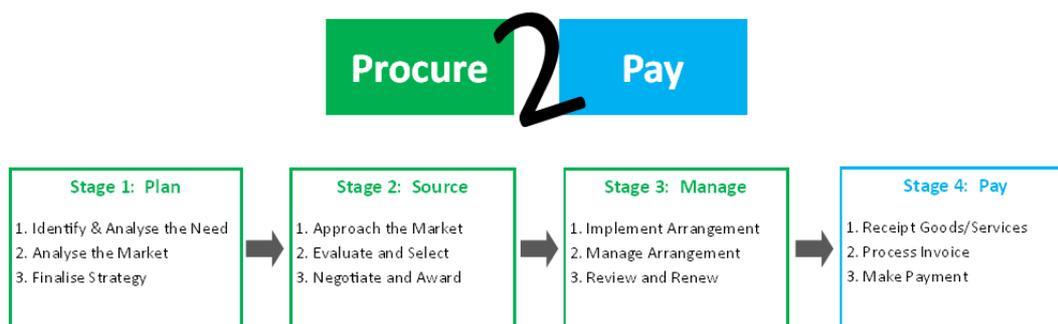
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1. Introduction

City of Mount Gambier has developed a Procure to Pay framework which seeks to support the objectives of Council's *Procurement and Contract Management Policy*.

Procure to Pay, also known as P2P, is the process of acquiring goods or services from the initial planning stage to final payment to the vendor. The process comprises four stages; Plan, Source, Manage and Pay, with each stage comprising three steps as follows:



This administrative principle focuses on the first two stages of the process: **Plan and Source**.

The **Plan** stage determines a procurement strategy that best meets Councils requirements and needs by working through the steps for identifying and analysing the need, analysing the market, finalising the strategy and seeking approval for the procurement process to be undertaken.

The **Source** stage works through the steps of approaching the market, evaluating and selecting a supplier, then negotiating and awarding a contract. This must always be done using a framework of probity and fair dealing.

2. Definitions

Key Term - Acronym	Definition
Acquisition Plan	A document that outlines the strategy, objectives and timeline for undertaking a procurement activity.
Council	The term Council refers to the City of Mount Gambier.
EDRMS	Council's Electronic Document Records Management System.
Executive Leadership Team (ELT)	Comprises of those persons holding the positions of Chief Executive Officer and/or General Manager from time to time.
Forward Procurement Plan	Plan developed to inform prospective suppliers on upcoming procurement opportunities for the coming twelve months. Plan includes all known formal procurement, including service contracts and capital projects and includes anticipated dates for approaching the market and platform to be used.
Management Team	Comprises of those persons holding management positions.
Policy	Council's Procurement and Contract Management Policy.
Procure to Pay	The process of acquiring goods or services from the initial planning stage to final payment to the vendor.
Procurement Action Plan	Internal plan utilised by the Procurement Team to record and track procurement activities (from inception to awarding of contract).
Procurement Team	Members of the finance team tasked with procurement responsibilities.

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3. General Administrative Requirements

3.1 Procurement Action Plan

The *Procurement Action Plan* is used by the Procurement Team as a mechanism for tracking and reporting on the status of current procurement activities.

3.2 Periodic Review

The Procurement Team must regularly review all procurement templates to ensure compliance with this procedure. These reviews aim to identify opportunities for improvement and deliver added value.

3.3 Cumulative Spend Analysis

Council's cumulative spend must be analysed annually in February and reported to the Executive Leadership Team. This analysis helps identify strategic procurement opportunities and highlights any areas where compliance with the Policy may be inconsistent.

Three key questions that arise when analysing cumulative spend are:

- Q1: How is Council ensuring it obtains value when its purchases are made in a decentralised purchasing environment?
- Q2: How is Council maintaining control over its cumulative purchasing with creditors and ensuring it meets all the requirements of the Policy?
- Q3: Are there any changes that need to be made to processes/procedures?

3.4 Purchase Orders

Goods and services will be obtained by use of an official order, provided that in urgent cases goods and services may be ordered subject to confirmation by an official order.

The following purchases are exempt from the above requirement, noting however that a purchase order and goods receipt is required for authorisation of payment:

- Fees or payments imposed under any Act
- Insurance and freight charges
- Real estate acquisitions
- Payments pursuant to an employment award binding upon Council (for example, salaries, wages and superannuation)
- Goods purchased from petty cash/Council corporate card and employee reimbursements
- Renewal of registration, subscriptions and memberships
- Payment of utilities
- Loan repayments
- Donations and community grants where GST is not applicable and a tax invoice is not required
- Engagement of legal services
- Payroll disbursements

For purchase orders valued between \$2,001 and \$50,000, evidence of cost estimates or written quotation/s are to be recorded in Council's EDRMS.

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3.5 Exemptions

Clause 5.6 of the Policy recognises that there may be instances when it may be appropriate to seek an exemption from the policy requirements. These are outlined below.

Exemptions where Documented Approval of Exemption is Required

- a) there may be significant public risk if the procurement is delayed by process requirements, such as emergency situations threatening life and property;
- b) there may be a significant risk to Council's operations;
- c) the pressures of time are such that an open tender call is not feasible, such as where there has been an unanticipated Council or Government policy decision;
- d) Council purchases assets or goods at an auction up to \$100,000;
- e) Council purchases second hand assets or goods up to \$100,000;
- f) a supplier or contractor is evidenced to be a "sole supplier or contractor" in the market and effectively a niche specialist or monopoly, rendering the tender process redundant;
- g) a supplier or contractor who has considerable background knowledge and experience, or specialist expertise on that particular Council project or asset e.g. an extension of a previous project. In such circumstances, the procurement of assets, goods, or services on negotiated fees and terms through that supplier or contractor alone may be deemed sound and advantageous to the project. This could include engaging the supplier or contractor on a retainer basis for a specialised period of time;
- h) continuation of services under an existing purchasing arrangement (i.e. variations/ extensions to existing purchase orders or agreements);
- i) goods or services are being provided under an existing purchasing arrangement (i.e. warranty, servicing, maintenance or defects liability);
- j) where knowledge, design and/or intellectual property is being retained to secure continuity of a staged initiative which may be disadvantaged (e.g. time, objective, financially) if subjected to a further competitive engagement process; or
- k) Council has entered into a Strategic Alliance procurement process in accordance with clause 4.9 of this administrative principle.

Exemptions where Documented Approval is not Required

- a) Utilities;
- b) government statutory charges (e.g. vehicle registrations);
- c) loan repayments;
- d) labour hire (including traineeships);
- e) corporate subscriptions (e.g. LG Solutions);
- f) training for current systems (e.g. Authority);
- g) legal fees;
- h) services provided under an operational contract where the amount is not known up front; and
- i) the acquisition/borrowing of art pieces and curating of exhibitions.

3.6 Procurement Methods

The method of procurement will be documented in an Acquisition Plan (in accordance with the requirements of clause 5.1 of the Policy), with reference to a number of factors including procurement complexity, benefits of bundling similar procurements, value, risks, characteristics of the supply market and Council's strategic objectives.

- Direct Purchasing
 - Direct purchasing is a procurement method undertaken by directly approaching and negotiating with one (1) supplier or contractor.

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- Procurement method may be conducted where transactions are of low value and low risk.
- Prices should be tested for currency prior to awarding supplier or contractor to give consideration to Value for Money.
- Payment options available to the Council for direct purchasing include corporate cards, employee purchase reimbursement and store credit (purchase order) payment via Electronic Funds Transfer (EFT).
- **Request for Quotations (RFQ)**
 - This is where Council obtains quotations from prospective suppliers or contractors for the provision of low value, low risk goods and services.
 - This method may be suitable for simple, largely price-based purchases.
 - Where the value of the procurement is in excess of \$50,000, this process must be undertaken in consultation with the Procurement Team.
- **Expressions of Interest (EOI)**
 - Expressions of Interest are useful when the number of suppliers or contractors, market size or the approach to solving a problem is largely unknown.
 - Such a process can form the platform for a future Request for Tender for the goods and/or services required.
 - Council should attempt to assess the market before conducting an EOI process and refine its requirements as much as possible to ensure responses are targeted appropriately.
- **Request for Proposal (RFP)**
 - Request for Proposals are useful when Council has identified a need for goods or services and wishes to invite qualified suppliers or contractors to propose solutions to meet the need.
 - Where the value of the procurement is in excess of \$50,000, this process must be taken in consultation with the Procurement Team.
- **Request for Tender (RFT)**
 - This is where the Council issues a tender for the goods or services required.
 - Council may issue a “Select” Request for Tender where it has already issued an EOI, or where it has reasonable grounds for only dealing with a select group of potential suppliers or contractors.
 - Otherwise, Council may issue an “Open” Request for Tender.
 - All RFT processes must be undertaken in consultation with the Procurement Team.
- **Panel Contracts**

Council may establish its own panel arrangements with a select group of suppliers or contractors to increase efficient procurement of goods and services.

 - Panels must be established following the principles of the Policy and must adhere to contract management.
 - Panels must operate under an agreement and be managed for performance and on-going value for money opportunities.
 - Where a schedule of rates has been submitted by a supplier under a panel arrangement, this may be used as evidence of quotation and referenced as required.

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- **Strategic Alliances**

When Council enters into a strategic alliance procurement process, it is not required to approach the wider market or conduct a separate RFT/RFQ, as an open tender process has already been completed. Council may meet its procurement needs through contractual arrangements established and managed by other organisations that comply with the Policy. Procurement under a strategic alliance must follow the terms and conditions set out in the alliance agreement.

These include, but is not limited to:

- LGA Procurement (via VendorPanel);
- a purchasing group of which the Council is a member;
- some State Government contracts; and
- ad hoc alliances created with other Local Government entities.

3.7 Procurement Delegations

Delegations define the limitations within which Council staff are permitted to commit Council to the procurement of goods, services and works and the associated costs.

The *Procurement Delegation Table Quick Guide* details the financial delegation limits of specific Council positions. These limits relate to the commitment of funds and include the decision making (e.g. approval of acquisition plans and procurement recommendation plans), the commitment of funds (e.g. approval of purchase orders), as well as the execution of contracts and agreements resulting from the procurement process.

3.8 Conflict of Interest

Managing conflicts of interest is integral to the accountability, transparency and effectiveness of local government.

All employees involved in procurement activities are required to observe the highest standards of integrity, probity and professional conduct. Any conflict of interest shall be declared prior to undertaking procurement activities. For more information refer to the Procure to Pay Administrative Procedures.

3.9 Reporting

Reporting to the ELT is required for the following items:

- Monthly:
 - Up to date *Procurement Action Plan* showing current status
 - Exemptions from Competitive Process
 - Variations
 - Contracts executed and completed
 - Ad hoc procurement statistics (e.g. purchase orders raised after invoice)
- Annually:
 - Cumulative spend

4. Roles and Responsibilities

The Executive Leadership Team and Management Team will:

- Promote and support the adoption of the procurement framework, including all related policies and procedures, within their areas of responsibility.
- Ensure all purchases comply with the procedure and maintain a balance between efficiency and probity.
- Confirm that purchases represent necessary business expenditure and align with the principles outlined in Council's Policy.

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- Maximise value for money while adhering to sound budget management practices.
- Actively implement strategic procurement methods for identified cumulative spends.
- Report any suspected fraudulent activity or corruption and take appropriate action.
- Approve procurement within their delegated authority, financial limits, and approved budgets.

The Manager Financial Services will:

- Ensure the procurement framework and associated procedures deliver a holistic, objective, consistent, efficient, and transparent approach across Council.
- Maintain appropriate internal financial controls.
- Embed the framework and associated procedures into all critical Council functions and activities.
- Review reporting prepared for the Executive Leadership Team and Management Team.
- Deliver compulsory financial training for elected members.

The Procurement Team will:

- Facilitate and provide advice on Council's formal procurement processes.
- Assist with developing tender documentation and ensure all tenders comply with Council's Policy, framework, and procedures.
- Guide evaluation team members on the selection process and key considerations.
- Advise on the most suitable procurement methods and contract structures to achieve optimal commercial outcomes.
- Proactively ensure procurement methods are applied for identified cumulative spends.
- Record data in the *Tender Register* when a request for tender/quote process has been undertaken.
- Develop the *Forward Procurement Plan* following adoption of the annual budget.
- Maintain the *Procurement Action Plan*.
- Prepare monthly and quarterly reports for the Executive Leadership Team.

All Council Officers will:

- Understand and ensure all purchases they initiate comply with the procurement framework.
- Ensure supplier selection aligns with the principles outlined in Council's Policy.
- Consider continuity of staff when selecting participants for procurement acquisition, evaluation, and contract management, and incorporate a transition process if changes occur.
- Manage their budgets responsibly.
- Act with integrity at all times when dealing with suppliers.

5. Training and Education

All new staff will receive a general overview as part of their Council induction, while comprehensive training will be provided to those responsible for procurement activities. In addition, regular refresher training will be delivered to staff as part of an ongoing rolling program.

6. Supporting Documentation

File Reference:	
Applicable Legislation:	Local Government Act 1999 State Records Act 1997
Related Policies:	<u>Council Policies:</u> Procurement and Contract Management Policy <u>Administrative Principles:</u> Risk Management

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Related Procedures:	Administrative Procedure – Procure to Pay – Stage 1: Plan Administrative Procedure – Procure to Pay – Stage 2: Source Administrative Procedure – Procure to Pay – Stage 4: Pay
Related Documents:	Exemption from Competitive Process Register (AR22/26266) Forward Procurement Plan (to be developed in 2026) Quick Guide – Procurement Flow Chart (AR24/90412) Quick Guide – Procurement Delegation Table (AR24/2746) Procurement Action Plan (AR19/5627) Procurement Templates (AF17/47) Tender Register (AR24/777)

7. Review and Evaluation

This Administrative Principle will be reviewed:

- every four years; or
- earlier in the event of changes to legislation or related policies and procedures; or
- if deemed necessary by the General Manager Corporate and Regulatory Services.

8. Document Details

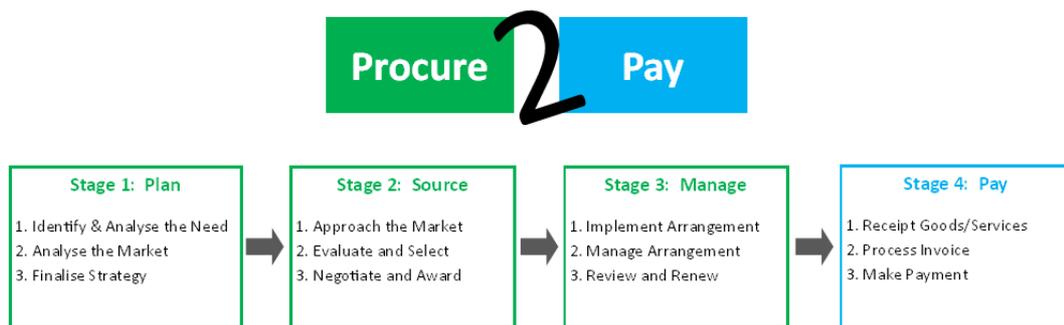
Responsibility:	General Manager Corporate and Regulatory Services
Version:	1.0
Last revised date:	Not applicable
Effective date:	xx
Minute reference:	xx, Audit and Risk Committee
Next review date:	xx

 City of Mount Gambier	ADMINISTRATIVE PRINCIPLE CONTRACT MANAGEMENT	Version No:	1.0
		Issued:	
		Next Review:	

1. Introduction

City of Mount Gambier has developed a Procure to Pay framework which seeks to support the objectives of Council's *Procurement and Contract Management Policy*.

Procure to Pay, also known as P2P, is the process of acquiring goods or services from the initial planning stage to final payment to the vendor. The process comprises four stages; Plan, Source, Manage and Pay, with each stage comprising three steps as follows:



This administrative principle focuses on the third stage of the process: **Manage**.

Signing an agreement with a supplier isn't the end of the procurement process – it's the beginning of an ongoing relationship with them. The **Manage** stage of the process involves two key areas for management – the contract and the contractor.

Contract management focuses on the contract as a whole – its terms, financial implications and overall performance throughout its lifecycle, whilst contractor management focuses on the contractor themselves, including their compliance, safety, capabilities and performance within the bounds of the contract.

This administrative principle covers contract management only.

2. Definitions

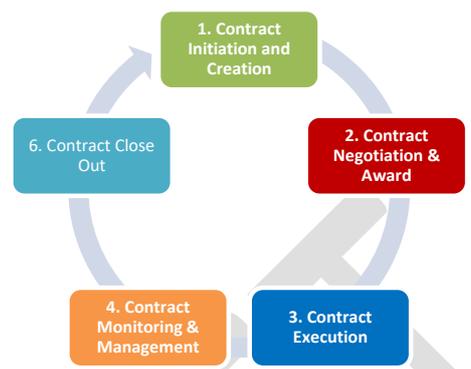
Key Term - Acronym	Definition
Contract Manager	The Council officer responsible of the management and administration of a contract.
Contract Owner	The Council officer who is ultimately accountable for the contract/project (this is normally in line with financial delegations and is generally the officer who signed the Contract).
Contract Register	A register maintained for all contracts and used to record key information including contract value and expiry dates.
Council	The term Council refers to the City of Mount Gambier.
Delegated Authority	The level of authority including financial authority established for particular roles and persons within Council.
EDRMS	Council's Electronic Document Records Management System.
Procure to Pay	The process of acquiring goods or services from the initial planning stage to final payment to the vendor.
Procurement Business Partner	Council officer responsible for facilitating the procurement process.
Procurement Team	Members of the finance team tasked with procurement responsibilities.

*Electronic version on EDRMS is the controlled version.
Printed copies are considered uncontrolled. Before using a printed copy, verify that it is the current version.*

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		Issued:	
		Next Review:	

3. General Administrative Requirements

3.1 The Contract Lifecycle



Stage		Example Tasks	Responsibility
Stage 1 Contract Initiation and Creation	This stage involves defining and approving contract terms through the acquisition plan, followed by drafting the contract for inclusion in market approach documents.	Prepare acquisition plan	Contract Manager
		Draft contract documentation	Procurement Team
		Appoint contract management roles	Contract Owner
Stage 2 Contract Negotiation and Award	Contract terms are negotiated as required, and the contract is formally awarded.	Negotiate with supplier	Contract Manager
		Finalise contract documentation	Procurement Team
		Develop Contract Management Plan	Contract Manager/ Procurement Team
Stage 3 Contract Execution	The contract is finalised and implemented, ensuring agreed terms are put into effect.	Record contract in Contract Register	Procurement Team
		Complete contract management checklist	
		Arrange signing by Council and supplier	
		Raise purchase order	
Stage 4 Contract Monitoring and Management	This ongoing stage focuses on tracking obligations, monitoring performance, ensuring compliance, and managing the relationship between parties.	Process variations	Contract Manager (with support from Procurement Team)
		Monitor contract performance	
		Manage contract extensions	
Stage 5 Contract Close-Out	The final stage involves completing all administrative, financial, and contractual activities to formally conclude obligations.	Confirm practical completion and defect liability period (DLP)	Procurement Team
		Issue completion certificates	
		Return security	
		Reconcile payments against contract	
		Conduct review and document lessons learned	Procurement/ Finance Team
			Contract Manager

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3.2 Contract Types and Requirements

Procurement Type	Cumulative Value (across life of contract)	Contract Type	Contract Management Plan*
Goods: One Off Purchase	Any Value	Purchase Order	-
Goods: Standing Offer (Set Period)	Any Value	Goods Agreement	Simplified Contract Management Plan
Services: One Off (Short Term)	<ul style="list-style-type: none"> Up to \$25,000 Low - Medium risk 	Purchase Order <i>(or supplier agreement if applicable)</i>	-
	<ul style="list-style-type: none"> Between \$25,001 and \$75,000 Low - Medium risk 	Services Agreement <i>(or supplier agreement if applicable)</i>	Simplified Contract Management Plan
	<ul style="list-style-type: none"> Greater than \$75,000 Low - Medium risk Any Value High risk 	Services Agreement <i>(or supplier agreement if applicable)</i>	Contract Management Plan
Services: Set Period of Time	<ul style="list-style-type: none"> Up to \$50,000 Low - Medium risk 	Services Agreement <i>(or supplier agreement if applicable)</i>	Simplified Contract Management Plan
	<ul style="list-style-type: none"> Greater than \$50,000 Low - Medium risk Any Value High risk 	Services Agreement <i>(or supplier agreement if applicable)</i>	Contract Management Plan
Works:	<ul style="list-style-type: none"> Up to \$50,000 Low - Medium risk 	Purchase Order <i>(or Works Order if defect liability period and/or security involved)</i>	-
	<ul style="list-style-type: none"> Greater than \$50,000 Low - Medium risk 	Works Agreement	Simplified Contract Management Plan
	<ul style="list-style-type: none"> Any Value High risk 	Works Agreement	Contract Management Plan

* Note: At the time this document was prepared, Contract Management Plans were still under development.

Contracts with a value of \$50,000 or more must be monitored, evaluated, and reported on regularly. Performance reviews are required at least once each year during the contract term, as well as at completion and close-out. All evaluations must be documented and recorded in Council's EDRMS.

3.3 Contract Security

Security in a contract serves to ensure a party (usually a contractor) performs their obligations and meets the agreed-upon standards for quality and completion.

Dependent on the risk and value of the works (which is determined during procurement planning), Council may require that 5% of the contract sum is provided as security in either retention or bank guarantee form for construction contracts (both building and civil works).

Security held will be reduced by 2.5% upon practical completion, with the remaining 2.5% returned upon completion of the defect liability period and issuing of the final certificate.

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3.4 Insurance

It is important to include the most appropriate insurance regime in all contracts. An assessment should be undertaken during the procurement planning phase to determine the necessary insurance coverage by evaluating the likelihood and potential impact of losses.

Insurance Type	Covers	When Required	Suggested Limit
Public Liability	Legal liability for bodily injury/property damage occurring in connection with the contractor's/consultant's business arising out of its negligent acts or omissions.	Always	Minimum \$20 million
Products Liability	Legal liability for bodily injury/property damage in connection with the contractor's/consultant's business arising out of "products" sold or supplied by it. "Products" include goods sold, supplied, repaired etc.	Where the contractor/consultant provides products that are sold or supplied as part of the contract and which could cause injury or property damage.	Minimum \$20 million
Professional Indemnity	Legal liability arising out of negligent acts, errors or omissions of a professional nature, which cause financial loss.	Where a negligent act error or omission of a professional nature by a consultant could result in financial loss to Council.	Dependent on identified level of risk exposure (generally \$2-5 million).
Cyber Security	Data breach costs, cyber attack costs, business interruption, legal and regulatory costs and reputational damage.	Where the contractor or consultant handles sensitive data, has access to Council systems, or operates in a high-risk industry.	Dependent on identified level of risk exposure.
Fidelity Insurance	Losses sustained by the contractor/consultant through the fraudulent or dishonest acts of its employees (ie. misappropriation of money or goods).	When the misappropriation of funds by a contractor's/consultant's employees could financially impact the Council or jeopardise the contractor's/consultant's financial viability.	Dependent on identified level of risk exposure.
Contract Works	Material damage to the construction works from unforeseen events like theft and vandalism, natural disasters or accidental damage.	When the contract involves construction of new buildings/plant, building refurbishment, dismantling and installing plant, office fit out and maintenance.	Dependent on identified level of risk exposure.
Worker's Compensation	Legal liability under legislation for injuries sustained by employees in the course of their employment.	When the contractor/consultant employees anyone. <i>Note: Evidence of personal accident cover should be provided by sole traders.</i>	As per legislation
Plant and Equipment	Protects risks like theft, accidental damage, or breakdowns.	When the contractor's business relies on machinery and heavy equipment.	Full replacement

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3.5 Variations

Variations must be signed by both Council and the supplier for any changes to the contract terms including:

- Scope – adding, altering or deleting parts of the original works or services.
- Value – Changing the agreed-upon price or payment terms.
- Term – Modifying the duration or timeframe for the project or service.
- Other terms – For example changes to contract representatives, addresses and payment terms

3.6 Contract Risk Management

Contract risks will be:

- identified through the procurement planning process;
- reflected in the Contract Management Plan; and
- managed in accordance with Council’s Risk Management framework.

3.7 Contract Extensions

Where appropriate, contracts for the provision of services or standing offers for goods over a fixed term may include optional extensions, limited to a maximum of two (initial term plus two extensions). Each extension period must not exceed the length of the initial term.

Council must initiate any extension offer at least two months before the contract expiry date to allow sufficient time for alternative arrangements if the extension does not proceed.

Extensions will only be granted subject to:

- satisfactory performance;
- agreed or negotiated price adjustments;
- acceptance of any procedural changes; and
- acceptance of changes to the provision of goods or services

3.8 Contract Register

Council will maintain a comprehensive Contract Register to enable effective reporting and tracking of key milestones.

4. Roles and Responsibilities

Contract Owners will:

- Be accountable for the budget or cost centre funding the contract.
- Approve contract payments and variations.
- Appoint appropriate contract management roles.

Contract Managers will:

- Act as the primary point of contact for contractors and suppliers on all contract matters.
- Monitor compliance with contract performance requirements.
- Submit requests for documentation to be issued (including variations, certificates, etc.).
- Notify the Procurement Team promptly of any actual or potential contract issues.
- Track key dates and milestones throughout the contract lifecycle.

The Procurement Team will:

- Maintain the Contract Register.
- Assist in developing contract documentation.
- Provide ongoing support across all stages of the contract lifecycle.

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5. Training and Education

All new staff will receive a general overview as part of their Council induction, while comprehensive training will be provided to those responsible for contract management activities. In addition, regular refresher training will be delivered to staff as part of an ongoing rolling program.

6. Supporting Documentation

File Reference:	xx
Applicable Legislation:	Local Government Act 1999 State Records Act 1997
Related Policies:	<u>Council Policies:</u> Procurement and Contract Management Policy <u>Administrative Principles:</u> Risk Management
Related Procedures:	Administrative Procedure – Procure to Pay – Stage 3: Manage
Related Documents:	Contract Register (AR16/44322) Procurement Templates (AF17/47)

7. Review and Evaluation

This Administrative Principle will be reviewed:

- every four years; or
- earlier in the event of changes to legislation or related policies and procedures; or
- if deemed necessary by the General Manager Corporate and Regulatory Services.

8. Document Details

Responsibility:	General Manager Corporate and Regulatory Services
Version:	1.0
Last revised date:	Not applicable
Effective date:	xx
Minute reference:	xx, Audit and Risk Committee
Next review date:	xx

5.5 ANNUAL REVIEW INVESTMENTS AND BORROWINGS

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

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Annual Review Investments and Borrowings' as presented on Wednesday 3 December 2025 be noted.

PURPOSE

To provide an annual review of Council Borrowings and Investments as at 30 June 2025 with comparisons to the previous financial year.

TERMS OF REFERENCE

The Audit and Risk Committee provides a value added role in the space of Treasury Management ensuring that the Policy allows for best practice management of Council debt and structuring and that the Policy is complied with.

RELEVANT LEGISLATION

Local Government Act 1999

In accordance with Section 140 of the Local Government Act, a council must, at least once in each year, review the performance (individually and as a whole) of its investments. Section 134 of the Local Government Act broadly allows Council's to borrow and enter into financial arrangements.

Treasury Management Policy

At least once a year Council shall receive a specific report regarding treasury management performance relative to this policy document. The report shall highlight:

- For each Council borrowing and investment, the quantum of funds, its interest rate and maturity date, interest income/expense and changes in the quantum since the previous report; and,
- The proportion of fixed interest rate (split between interest-only borrowings and credit foncier borrowings) and variable interest rate borrowings at the end date of the reporting period and an estimate of the average of these proportions across the period along with key reasons for significant changes.

BACKGROUND / OPTIONS

Banking and Investments

Borrowings at 30 June 2025 totalled \$32,108,534, including \$10,400,000 in cash advance debentures and \$21,708,534 in credit foncier loans. This is a decrease of \$4,733,684 from the previous financial year that had total borrowings of \$36,842,219. The current long term financial plan models debt to peak in the 2024/2025 financial year, which is consistent with borrowings tracking lower in 2025/2026 in comparison to the same period.

Special Distributions were received totalling \$77,757.12 compared to \$52,507.62 from the previous year. This is in line with increases to total borrowings during the 2024/2025 financial year.

LGFA special distributions are payments made by Local Government Finance Authority (LGFA) to its members as a share of the LGFA's profits. These distributions are a benefit for members who support the LGFA by depositing money or using its loan facilities.

The LGFA is administered by a Board of Trustees, and works for the benefit of Councils and other Local Government Bodies within South Australia. It is not part of the Crown, nor is it an agency or instrumentality of the Crown. All South Australian Councils are automatically members of the LGFA, but use of LGFA services for investments and loans is entirely voluntary. In accordance with Section 24 of the Local Government Finance Authority Act 1983, the Treasurer of South Australia guarantees all of the Authority's liabilities, including monies accepted on deposit from clients.

In maintaining good treasury management practices, funds held in transactional operating accounts were minimised and redirected to reduce debt levels and subsequent interest charges on a regular basis.

Any funds that are not immediately required for operational needs and cannot be applied to either reduce existing borrowings or avoid the raising of new borrowings, are invested with the LGFA. This excludes the Mount Gambier Mayor's Community Christmas Appeal which under the Accounting for Reserves Administrative Principle is a cash-backed reserve due to its Deductible Gift Recipient Status, with the cash-backed funds held with LGFA.

LGFA – No funds were held in the LGFA General Account at 30 June 2025, same as with previous year with no funds held at 30 June 2024. In future years funds will be held for the Mount Gambier Mayor's Community Christmas Appeal.

LGFA Special Distribution – The LGFA re-distribute a portion of their profits each year to member Councils. Council's may receive two Special Distributions, one calculated and paid on deposits held and the other on loans held. Council received a total \$77,757.12 in special distributions compared to \$52,507.62 from the previous year.

Operating Account – \$203,931.02 was held as at 30 June 2025 compared with \$259,329.43 as at 30 June 2024.

Council Administration met with the Local Government Financing Authority in November 2025 to generally discuss Council's financial position, covenants and options moving forward with loan refinancing.

Borrowings

Council Borrowings as at 30 June 2025 were \$32,108,534, including \$10,400,000 in cash advance debentures and \$21,708,534 in credit foncier loans. In comparison, Council Borrowings at 30 June 2024 were \$36,842,219.

Two Credit Foncier Loans (Loans 111 & 112) were taken out in 2022/2023 both with balloon options at their expiry. The purpose of this was to secure loan repayments equivalent to a longer period of time, eg 20 years and enable review of interest rates periodically. Credit Foncier Loan 111 matured 15 March 2025 with a significant balloon payment required of \$4.89m (including interest) which was majority rolled to an interest only loan, Credit Foncier 114. Credit Foncier 112 will require refinancing in May 2026. For noting that CAD 115 facility of \$1,500,000 maturing 15 January 2026 will not be refinanced.

Table 1: Borrowings as at 30 June 2025

Facility	Expiry Date	Interest Rate	Facility Limit \$	Drawn Down \$	Available \$
Fixed Loans					
Credit Foncier 109	16/05/2032	4.75%	3,737,847	3,737,847	-
Credit Foncier 110	16/05/2037	4.85%	8,530,322	8,530,322	-
Credit Foncier 112	15/05/2026	4.95%	4,690,365	4,690,365	-
Credit Foncier 114	17/03/2027	4.88%	4,750,000	4,750,000	-
Total Fixed Loans			21,708,534	21,708,534	-
Variable Loans					
Cash Advance Debenture 104	17/06/2028	5.25%	5,000,000	5,000,000	-
Cash Advance Debenture 106	15/04/2026	5.25%	5,000,000	5,000,000	-
Cash Advance Debenture 107	16/08/2026	5.25%	10,000,000	400,000	9,600,000
Cash Advance Debenture 115	15/01/2026	5.25%	1,500,000	-	1,500,000
Total Variable Loans			21,500,000	10,400,000	11,100,000
Total Loans			43,208,534	32,108,534	11,100,000
% Fixed Loans			50.24%	67.61%	
% Variable Loans			49.76%	32.39%	

Table 2: Borrowing Movement

Facility	Balance 30/06/2024	Balance 30/06/2025	Movement	Weighted Average interest rate
Fixed Loans				
Credit Foncier 109	4,178,462	3,737,847	(440,615)	
Credit Foncier 110	9,043,869	8,530,322	(513,547)	
Credit Foncier 111	4,850,920	-	(4,850,920)	
Credit Foncier 112	4,848,967	4,690,365	(158,602)	
Credit Foncier 114	-	4,750,000	4,750,000	
Total Fixed Loans	22,922,218	21,708,534	(1,213,684)	4.86%
Variable Loans				
Cash Advance Debenture 104	5,000,000	5,000,000	-	
Cash Advance Debenture 106	5,000,000	5,000,000	-	
Cash Advance Debenture 107	3,920,000	400,000	(3,520,000)	
Cash Advance Debenture 115	-	-	-	
Total Variable Loans	13,920,000	10,400,000	(3,520,000)	5.50%
Total Loans	36,842,218	32,108,534	(4,733,684)	

Table 3: Proportion of Debt between credit foncier (fixed) and CAD (variable) 30/06/2024

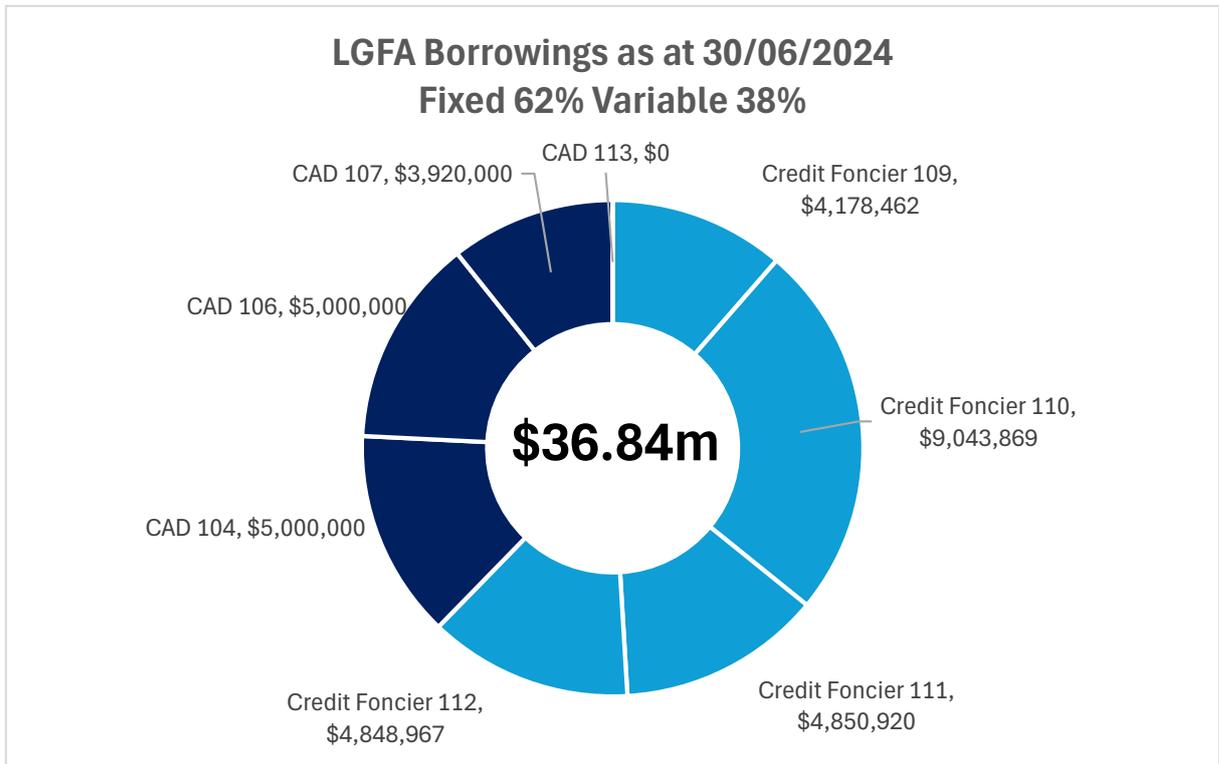
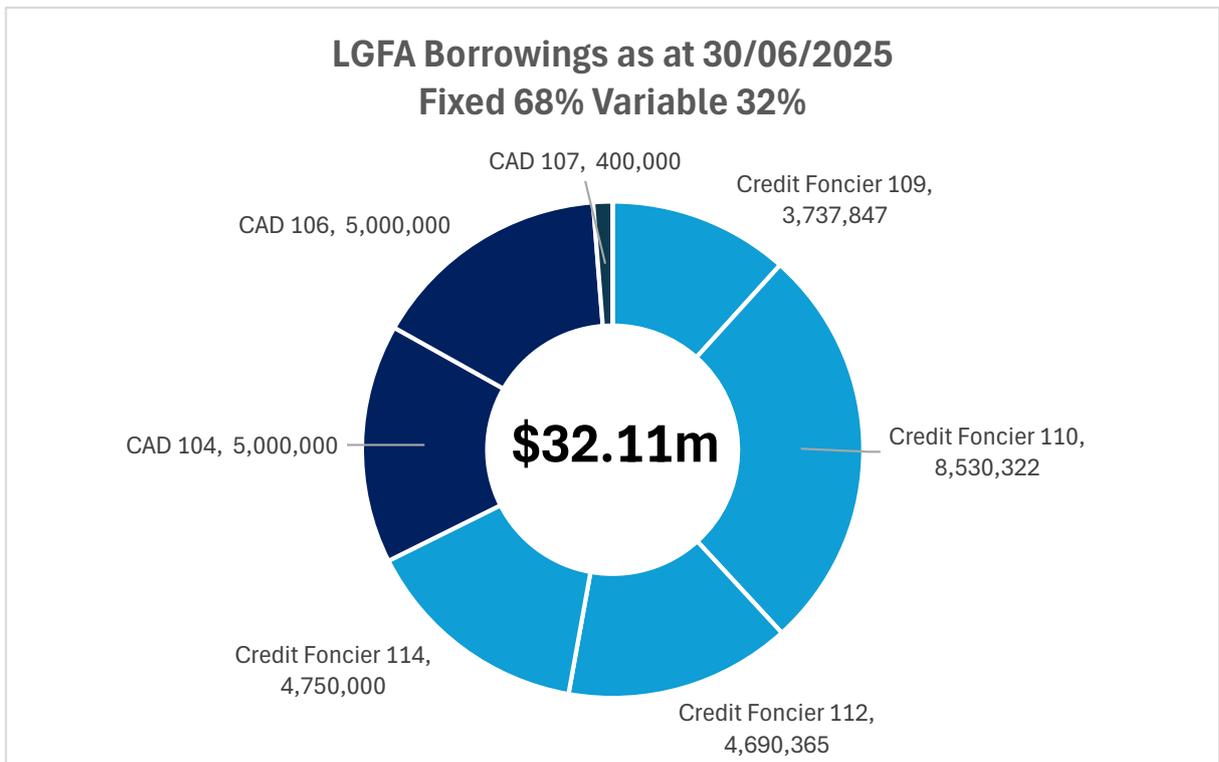


Table 4: Proportion of Debt between credit foncier (fixed) and CAD (variable) 30/06/2025

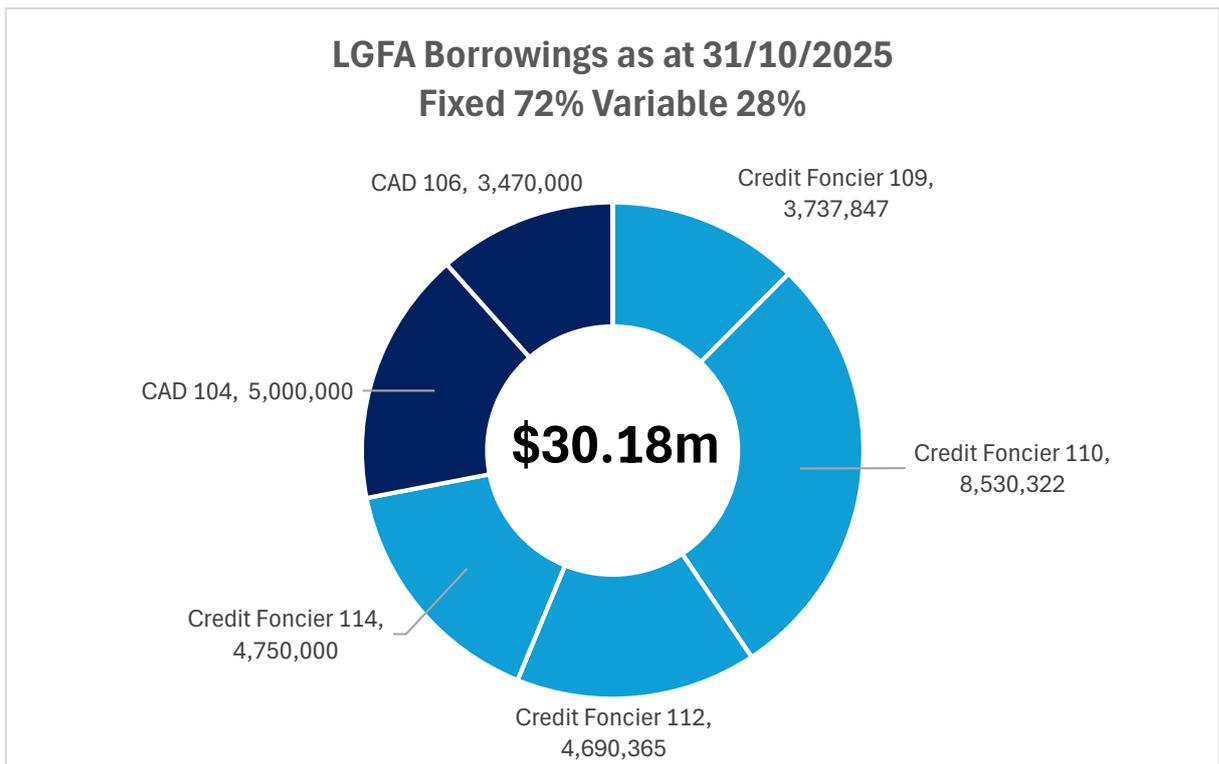


Interest rates on variable loans have decreased from 6.15% as at 30 June 2024 to 5.50% as at 30 June 2025. Interest paid on borrowings for the year ended 30 June 2025 was \$1,716,943 compared to \$1,706,374 the previous year.

Current Balances

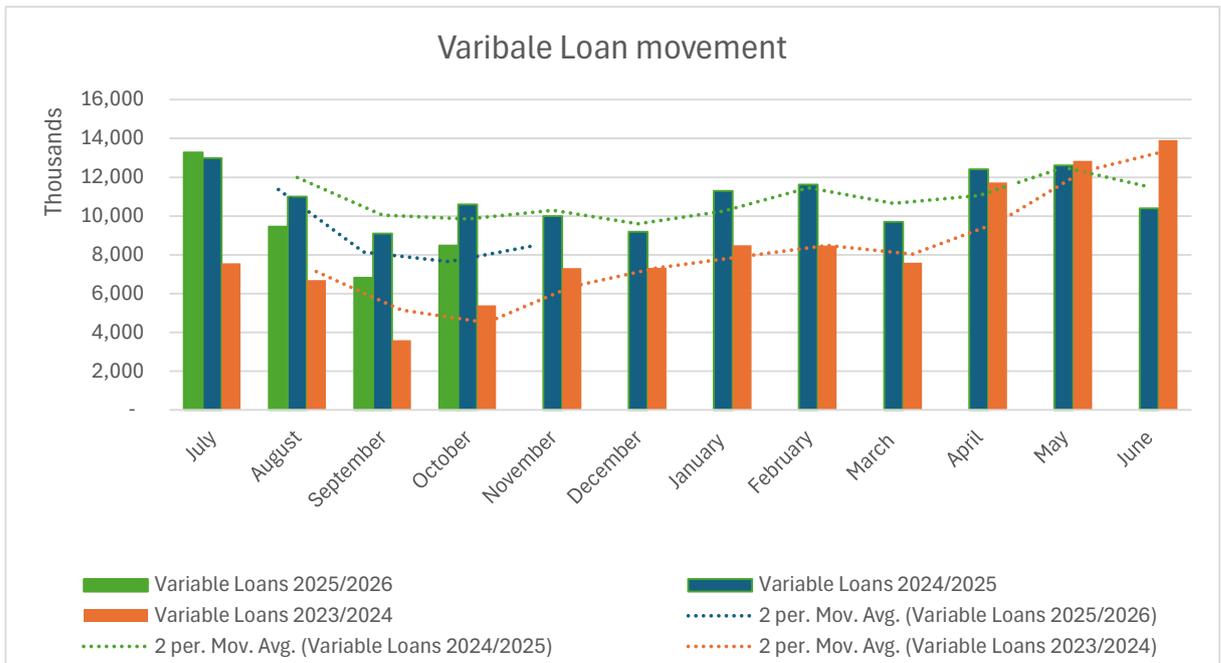
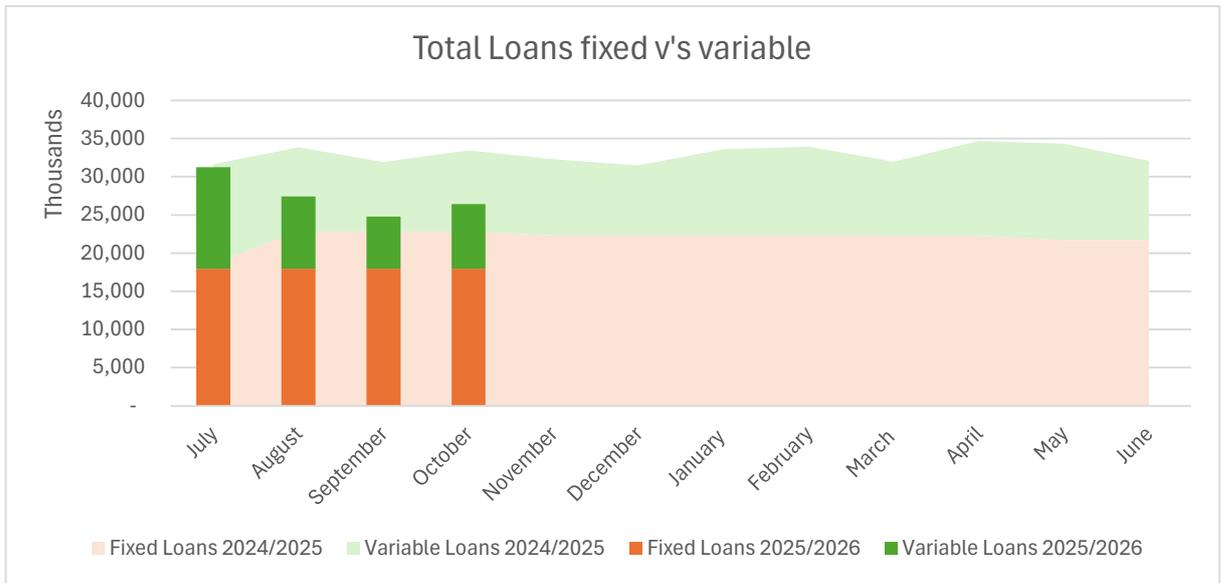
As at 31 October 2025, borrowings totalled \$30.18m with 72% of borrowings in the form of fixed credit foncier loans and 28% drawn down in cash advance debentures as show in table 5 below.

Table 5: Proportion of Debt between credit foncier (fixed) and CAD (variable) 31/10/2025



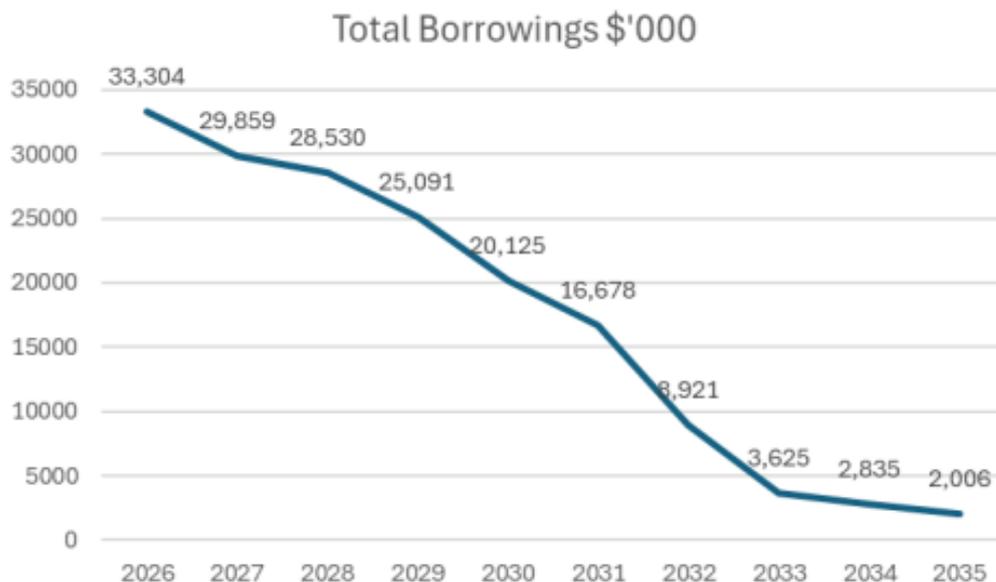
For noting that Council’s cash requirements ebb and flow throughout the year with influxes of revenue received on a quarterly basis in line with rates instalment due dates. Certain expenses such as employment costs are relatively stable throughout the year, however fluctuations occur for large capital purchases.

Tables 6 & 7: Monthly loan balance comparisons



Longer Term Debt Forecasts per the long term financial plan indicated that peak borrowings would occur in 2024/2025 and generally move in a declining trend over the remaining life of the plan. Debt levels are currently forecast to remain greater than \$25 million until 2028/2029.

Table 8: Forecast borrowings per Long Term Financial Plan 2026-2035



Current LGFA interest rate options

Considering the maturity of CF Loan 112 in May 2026, it is timely to review the LGFA interest rates and borrowing options available to Council. A report will be presented direct to Council. Table 9 below, provides some comments for consideration in the lead up to the discussion with LGFA. For noting that interest rates and terms are continually changing and may do so before any refinancing is able to be finalised.

Table 9: Comments for consideration regarding upcoming review of Council debt structures

LGFA Borrowing Options	Term	Rate	Comments for consideration
Fixed Interest Only Loan	1Y	< CAD interest	Council has a variable CAD loan of \$5m which it does not anticipate will make repayments on over the next year. Where a fixed interest loan for 12 months equates to less interest than a CAD facility, this option would provide lower interest. However, is subject to market rate risk and reduced flexibility.
Fixed Amortising Loan	1Y-15Y terms	various	Consideration needs to be given to cashflow for principal and interest fixed loans. Balloon terms may be negotiated to secure longer payment terms and only expose to shorter term interest rate risk. Council is forecasting debt to gradually decline in the LTFP and so increasing longer term fixed loans would not be suitable to meet these targets. However, ESCOSA has recommended to review longer borrowing terms as part of their recent review. For noting that 5 and 10 year term loans currently have higher interest rates than the CAD rate.

Cash Advance Debenture (CAD)	-	5.25% (current)	Offers flexibility to repay and draw-down when needed. No principal required for cashflow consideration. Where interest rate risk rises, can consider converting portions to fixed for shorter periods to allow flexibility.
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DETAILED IMPLICATIONS

Legal	Following completion of the 2024/2025 financial statements, LGFA will complete analysis on covenants and prepare a report advising their findings.
Financial and Budget	As at 30 September 2025 interest was favourable on budget by \$16k. Interest rate movement is out of control of Council and is regularly monitored. Assumptions are projected in the Long Term Financial Plan and updated as required.
Community Consultation and Engagement	n/a
Other Resources	n/a

RISK ANALYSIS

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

Risk	Consequence Rating	Risk Likelihood Rating	Risk Rating	Mitigation
Finance – That Council has inadequate facilities to meet its obligations and continue to operate effectively. Council's debt is not structured efficiently or effectively.	Insignificant (1)	Unlikely (2)	Low	Continue to report annually in line Audit and Risk Committee work plan. Continue to meet regularly with LGFA and review financing options.
Reputation – That the public perceive Council's financial management of debt is inadequate.	Minor (2)	Possible (3)	Moderate	Continue to report openly and transparently about Council's position.
Legal / Regulatory / Policy – That Council does not meet legislative or policy requirements.	Insignificant (1)	Unlikely (2)	Low	Continue to regularly review and report as per above.
Service Delivery – That Council is unable to deliver services due to inadequate cash resources.	Insignificant (1)	Unlikely (2)	Low	Continue to regularly review and report as per above.
Infrastructure – That Council's assets and infrastructure are not maintained or renewed due to	Minor (2)	Unlikely (2)	Low	Continue to regularly review and report as per above. Ensure Asset Management

inadequate cash resources.				Plans are incorporated to the LTFP and prioritised.
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RELEVANT COUNCIL POLICY

[Treasury Management - T150](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

Further modelling work will be undertaken with various loan options in the lead up to refinancing maturing loans and will be presented to Council for consideration.

CONCLUSION

This report provides an annual review of Council’s investments and borrowings from 2023/2024 financial year to the 2024/2025 financial year. Further to this, it tables an update on the composition of debt as at 31 October 2025 and foreshadows an upcoming review for refinancing options for loans reaching maturity within the financial year.

ATTACHMENTS

Nil

5.6 ANNUAL WORK PLAN AND MEETING SCHEDULE

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

RECOMMENDATION

1. That the Audit and Risk Committee report titled 'Annual Work Plan and Meeting Schedule' as presented on Wednesday 3 December 2025 be noted.
2. That the Audit and Risk Committee recommends to Council it holds at minimum 6 meetings throughout 2026, noting that meeting dates are subject to change, including additional special meeting(s) where required.

PURPOSE

This report provides details for the proposed Audit and Risk Committee Work Plan and meeting schedule for 2026.

The Annual Work Plan allows members of the Audit and Risk Committee opportunity to suggest target work in alignment with the Terms of Reference and Local Government Act for the purpose of adding value to Council operations, strategic plans and risk.

TERMS OF REFERENCE

Section 9 of the Audit and Risk Committee Terms of Reference refers to meeting in particular:

9.1 Number of Meetings - Aligned with legislation there must be at least 1 meeting of an audit and risk committee in each quarter at appropriate times in the reporting and audit cycle and otherwise as required.

RELEVANT LEGISLATION

The attached work program is aligned with Section 126 (4) and (5) of the Local Government Act 1999:

- (4) The functions of a council audit and risk committee include—
- (a) reviewing annual financial statements to ensure that they present fairly the state of affairs of the council; and
 - (b) proposing, and providing information relevant to, a review of the council's strategic management plans or annual business plan; and
 - (c) monitoring the responsiveness of the council to recommendations for improvement based on previous audits and risk assessments, including those raised by a council's auditor; and
 - (d) proposing, and reviewing, the exercise of powers under section 130A; and
 - (e) liaising with the council's auditor in accordance with any requirements prescribed by the regulations; and
 - (f) reviewing the adequacy of the accounting, internal control, reporting and other financial management systems and practices of the council on a regular basis; and
 - (g) — (i) if the council has an internal audit function—
 - (A) providing oversight of planning and scoping of the internal audit work plan; and
 - (B) reviewing and commenting on reports provided by the person primarily responsible for the internal audit function at least on a quarterly basis; or
 - (h) reviewing and evaluating the effectiveness of policies, systems and procedures established and maintained for the identification, assessment, monitoring, management and review of strategic, financial and operational risks on a regular basis; and

- (i) reviewing any report obtained by the council under section 48(1); and
 - (j) performing any other function determined by the council or prescribed by the regulations
- (5) There must be at least 1 meeting of a council audit and risk committee in each quarter.

BACKGROUND / OPTIONS

The **Annual Work Plan** has been reviewed against the current Terms of Reference of the Audit and Risk Committee to ensure it reasonably captures roles including. The full plan is attached to this report and includes:

- **Financial Reporting** - Includes standard reporting aligned with current year.
- **Internal Controls and Risk Management Systems** - The Strategic Risk Register and WHS reporting will now be completed twice yearly following feedback from the Committee during the year. Policies and leases/licenses update report will continue to be included twice yearly as requested by the Audit and Risk Committee.
- **Public Interest Disclosure** - This item has been added to prompt at minimum annual reporting regardless of whether any matters are raised.
- **Internal Audit** – This will include reporting based on a rolling three year program. Following discussion at the workshop held prior to 5 November 2025 Meeting, the focus for 2025/2026 will be cyber security.
- **External Audit** - Year-end audit reporting and regular reporting against management reports.
- **Strategic Management and Business Plans** – This includes Asset Management Plans, Long Term Financial Plan and Annual Business Plan and Budget.
- **Policy Reviews** – Incorporates an annual review of asset accounting policy plus others as required.
- **Annual Work Plan** - To be reviewed at the December meeting.

Meetings are scheduled to occur on a Wednesday, the timing of which accommodates members and the forwarding of Audit and Risk Committee recommendations to the next Council meeting which is generally held on the third Tuesday of each calendar month. Proposed ordinary meeting dates are as follows and are subject to change:

- 4 February 2026
- 1 April 2026
- 3 June 2026
- 30 September 2026
- 4 November 2026
- 2 December 2026

DETAILED IMPLICATIONS

Legal	The Audit and Risk Committee is required under S126 of the Local Government Act 1999.
Financial and Budget	Sitting Fees to be included in the annual budget.
Community Consultation and Engagement	N/A
Other Resources	N/A

RELEVANT COUNCIL POLICY

- [Asset Accounting](#)
- [Budget Policy - B300](#)
- [Internal Audit](#)
- [Internal Controls](#)

[Procurement](#)
[Prudential Management - P415](#)
[Public Interest Disclosure - P900](#)
[Risk Management](#)
[Treasury Management - T150](#)

IMPLEMENTATION, COMMUNICATION AND ENGAGEMENT

The Annual Work Plan will be published on the Audit and Risk Committee's section of Council's website. It will also be included in the Annual Report.

CONCLUSION

The Audit and Risk Committee proposed Work Plan for 2026 is sufficiently detailed and flexible to enable the Committee to fulfill its Terms of Reference. The Work Plan has been updated to reflect requirements relevant to this coming year.

Dates have been proposed for 6 ordinary meetings to meet legislative requirements. These dates are subject to change and additional special meetings that may be called.

ATTACHMENTS

1. Audit and Risk Committee Annual Work Plan 2026 [5.6.1 - 1 page]

Audit & Risk Committee - Annual Work Plan - 2026							
Month	Terms of Reference	February	April	June	September	November	December
Date	Reference	4-Feb	1-Apr	3-Jun	30-Sep	4-Nov	2-Dec
Recommendations To Council Meeting Dates							
		February	April	June	October	November	December
Financial Reporting & Management:							
Review statutory financial statements	12.1.1						
Comparison of actual performance to budget as at year-end							
Review performance of investments and borrowings							
Audit & Risk Committee self-assessment and annual report	14.2						
Internal Controls and Risk Management Systems:							
Monitor effectiveness of Council's internal controls & risk mgt systems	12.2.1						
Strategic Risks and Register	12.2.6						
Review of insurances	13.6						
Work Health Safety Update							
Policies and Leases/Licenses Update	12.2.5						
Public Interest Disclosure Act & Prudential Reports:							
Review arrangements for employees to raise concerns in financial reporting and other matters	12.3.1						
Be satisfied that independent investigation of matters raised are appropriately followed up.	12.3.2						
Provide advice on the management of prudential reports	12.7						
Internal Audit:							
Internal Audit - Oversight of program planning and scope	12.4.2						
Progress on internal audits	12.4.3						
External Audit:							
Review annual audit plan	12.5.5						
Meeting with auditors to review audit findings	12.1.2, 12.5.4						
Review audit management report and management's response	12.5.9						
Review Management Representation Letter	12.5.8						
Auditor Engagement (Term 3 of 5 years)	12.5.3						
Review of Strategic Management and Business Plans:							
Review Asset Management Plans (Forward Works Program)	12.6						
Review Long Term Financial Plan	12.6						
Review Annual Business Plan	12.6						
Budget Reviews (BR1, BR2, BR3) - for noting only reports go direct to Council							
Policy Reviews:							
Budget Framework Policy B300							
Treasury Management Policy T150							
Asset Accounting Policy (Annual review)							
Any other policies as required							
Other:							
Review annual work plan	13.1						
Review Terms of Reference (every 2 years)	14.3						
Review Committee Member appointment (every 2 years)							

5.7 AUDIT AND RISK COMMITTEE MEETING REPORT

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

RECOMMENDATION

1. That Audit and Risk Committee report titled 'Audit and Risk Committee Meeting Report' as presented on Wednesday 3 December 2025 be noted.
2. That the Audit and Risk Committee be provided with a summary of the outcomes of this meeting within 5 business days and will provide feedback prior to inclusion in the Council Meeting Agenda for 16 December 2025.

PURPOSE

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

TERMS OF REFERENCE

N/A

RELEVANT LEGISLATION

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

requires that the following report is prepared as shown below:

(8) A council audit and risk committee must—

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

BACKGROUND / OPTIONS

Period Preceding the November Meeting:

1. **Email to Committee 7 November 2025** – Audit and Risk Committee Meeting Summary Report was presented to Council Meeting on 18 November 2025. Members were requested to review the report and provide any feedback prior to the meeting.
2. **Email to Committee 20 November 2025** – Budget Review 1 2025/2026 Report as presented at the Council meeting on 18 November 2025, provided to Members to review.
3. **Email to Presiding Member 20 November 2025** - Independent Member Belinda Johnson informed Presiding Member Paul Duka that she will be unable to attend the Audit and Risk Committee meeting scheduled for 3 December 2025 and will be an apology. Belinda in addition advised that upon completion of her tenure in February 2026, she will not be seeking reappointment to the committee and will conclude her involvement from that time.
4. **Email to Committee 25 November 2025** – Council report titled 'Annual Report' and supporting document Annual Report sent to Audit and Risk Committee as presented at the Council meeting held on 18 November 2025.
5. **Council Member Briefing** – Meeting held as required between the Council Member Audit and Risk Committee representative and General Manager Corporate and

Regulatory Services, Manager Financial Services to provide a briefing on the reports included in the agenda prior to the meeting.

6. **Presiding Member Pre-Meeting** - Meeting held as required between the Manager Financial Services and the Presiding Member to discuss the agenda prior to the meeting.

Outcomes of the Meeting:

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

CONCLUSION

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

ATTACHMENTS

Nil

- 6 URGENT MOTIONS WITHOUT NOTICE**

- 7 CONFIDENTIAL ITEMS**
 - 7.1 NEW CONFIDENTIAL ITEMS - NIL**

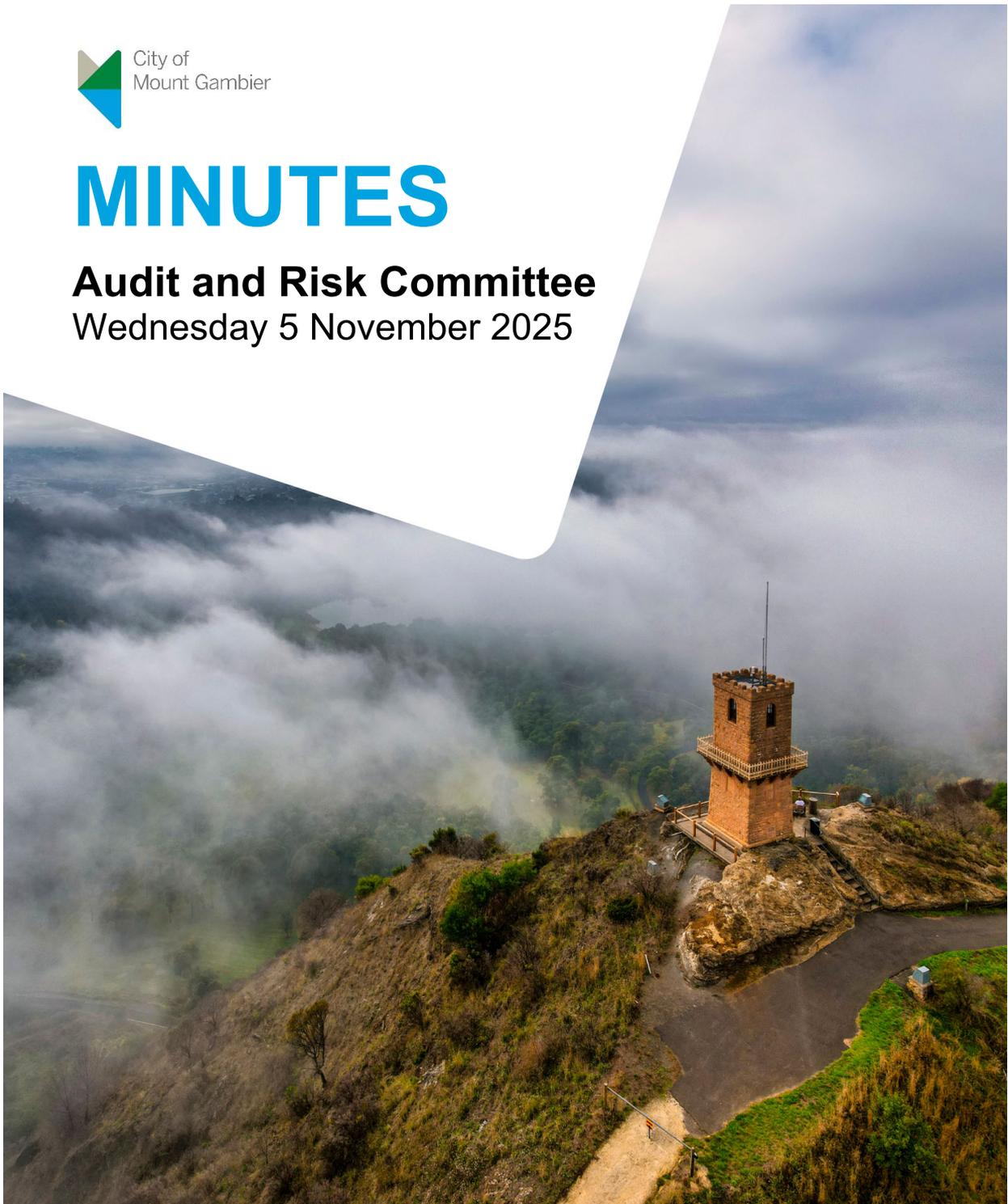
- 8 MEETING CLOSE**

- 9 ATTACHMENT - PREVIOUS COMMITTEE MINUTES**



MINUTES

Audit and Risk Committee
Wednesday 5 November 2025



Minutes of the Audit and Risk Committee held at:

Time: 5:30 pm
Date: Wednesday 5 November 2025
Location: Conference Room, Level 1 - Civic Centre
10 Watson Terrace, Mount Gambier

1 ACKNOWLEDGEMENT OF COUNTRY

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

2 APOLOGIES

COMMITTEE RESOLUTION ARC 2025/33

Moved: Mayor Lynette Martin
Seconded: Alexander Brown

That the apology from Cr Paul Jenner be received.

CARRIED

3 CONFIRMATION OF MINUTES

3.1 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION ARC 2025/34

Moved: Alexander Brown
Seconded: Belinda Johnson

That the minutes of the Audit and Risk Committee Meeting held on 24 September 2025 be confirmed as an accurate record of the proceedings of the meeting.

CARRIED

4 QUESTIONS WITHOUT NOTICE

Nil

5 REPORTS

5.1 RISK MANAGEMENT FRAMEWORK

COMMITTEE RESOLUTION ARC 2025/35

Moved: Mayor Lynette Martin
Seconded: Alexander Brown

1. That the Audit and Risk Committee report titled 'Risk Management Framework' as presented on Wednesday 5 November 2025 be noted.
2. That the Audit and Risk Committee review the Administrative Principle – Risk Management Framework, and endorse to the Executive Leadership Team for adoption pending consideration of feedback provided.

CARRIED

5.2 QUARTERLY INTERNAL AUDIT UPDATE

COMMITTEE RESOLUTION ARC 2025/36

Moved: Paul Duka

Seconded: Alexander Brown

1. That Audit and Risk Committee report titled 'Quarterly Internal Audit Update' as presented on Wednesday 5 November 2025 be noted.
2. That Audit and Risk Committee note the progress made in implementing the actions arising from the completed internal audits.
3. That Audit and Risk Committee recommend to Council that the 2025/2026 internal audit plan focus on cyber security and that the plan be updated accordingly.

CARRIED

5.3 PUBLIC INTEREST DISCLOSURE POLICY

COMMITTEE RESOLUTION ARC 2025/37

Moved: Belinda Johnson

Seconded: Mayor Lynette Martin

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

CARRIED

5.4 CARRY FORWARD BUDGET PROCEDURE

COMMITTEE RESOLUTION ARC 2025/38

Moved: Belinda Johnson
Seconded: Alexander Brown

1. That the Audit and Risk Committee report titled 'Carry forward budget procedure' as presented on Wednesday 5 November 2025 be noted.

CARRIED

5.5 ACCOUNTING FOR RESERVES

COMMITTEE RESOLUTION ARC 2025/39

Moved: Mayor Lynette Martin
Seconded: Alexander Brown

1. That the Audit and Risk Committee report titled 'Accounting for Reserves' as presented on Wednesday 5 November 2025 be noted.

CARRIED

5.6 ICAC 2024 PUBLIC INTEGRITY SURVEY 2024: LOCAL GOVERNMENT INSIGHTS

COMMITTEE RESOLUTION ARC 2025/40

Moved: Paul Duka
Seconded: Belinda Johnson

1. That the Audit and Risk Committee report titled 'ICAC 2024 Public Integrity Survey 2024: Local Government Insights' as presented on Wednesday 5 November 2025 be noted.

CARRIED

5.7 LEASE AND LICENCE UPDATE

COMMITTEE RESOLUTION ARC 2025/41

Moved: Paul Duka
Seconded: Mayor Lynette Martin

1. That the Audit and Risk Committee report titled 'Lease and Licence Update' as presented on Wednesday 5 November 2025 be noted.

CARRIED

5.8 POLICY UPDATE

COMMITTEE RESOLUTION ARC 2025/42

Moved: Belinda Johnson
Seconded: Alexander Brown

1. That the Audit and Risk Committee report titled 'Policy Update' as presented on Wednesday 5 November 2025 be noted.

CARRIED

5.9 AUDIT AND RISK COMMITTEE MEETING REPORT

COMMITTEE RESOLUTION ARC 2025/43

Moved: Paul Duka
Seconded: Alexander Brown

1. That Audit and Risk Committee report titled 'Audit and Risk Committee Meeting Report' as presented on Wednesday 5 November 2025 be noted.
2. That the Audit and Risk Committee be provided with a summary of the outcomes of this meeting within 5 business days and will provide feedback prior to inclusion in the Council Meeting Agenda for 18 November 2025.
3. That the Audit and Risk Committee note that the 'Audit and Risk Committee Meeting Report' was presented to Council at the October 2025 Council meeting, covering the period following the June 2025 meeting including the September 2025 meeting.

CARRIED

6 URGENT MOTIONS WITHOUT NOTICE

Nil

City of Mount Gambier
Audit and Risk Committee Meeting Minutes

5 November 2025

7 CONFIDENTIAL ITEMS

Nil

8 MEETING CLOSE

The meeting closed at 6:38pm.

The minutes of this meeting confirmed at the Audit and Risk Committee Meeting held on 3 December 2025.

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PRESIDING MEMBER