



northern
beaches
council

MINUTES

EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

held via remote audio visual link on

THURSDAY 3 SEPTEMBER 2020

Commencing at 9:34am

Minutes of the Extraordinary Audit, Risk and Improvement Committee Meeting held on Thursday 3 September 2020 via remote audio visual link.

ATTENDANCE:

Voting Members of the Committee

Mr Stephen Horne (Chair)
Mr Mark McCoy
Ms Sarah Richardson
Ms Julie Walton
Cr Sarah Grattan
Cr Sue Heins
Cr David Walton

Council Officers (non-voting)

Mr Ray Brownlee PSM	Chief Executive Officer
Mr Jeff Smith	Director Corporate and Legal
Mr David Walsh	Chief Financial Officer
Ms Caroline Foley	Executive Manager Financial Planning & Systems
Ms Deirdre Cooper	Executive Manager Internal Audit & Complaints Resolution
Ms Renae Wilde	Team Leader Financial Accounting
Mr Richard Ji	Team Leader Financial Planning and Assets
Ms Pamela Tasker	Administration Officer Internal Audit

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NOTE

Acknowledgement of Country: The Chair acknowledged the traditional custodians of the lands on which meeting participants gathered and paid respect to Elders past and present.

1.0 APOLOGIES

Nil.

2.0 DISCLOSURES OF INTEREST

Nil.

3.0 SPECIAL AGENDA ITEMS**3.1 2019/20 FINANCIAL STATEMENTS****PROCEEDINGS IN BRIEF**

Ms Caroline Foley, Executive Manager Financial Planning and Systems, addressed the meeting on this item.

PURPOSE

To provide the Audit, Risk and Improvement Committee with an overview of the process undertaken and significant judgements and assumptions used in preparing the draft 2019/20 Northern Beaches Council financial statements prior to their inclusion on the agenda for a Council Meeting to be held on 29 September 2020.

PRECIS

The report provides a summary of the key accounting policies, critical accounting estimates and significant judgements used in applying these policies in the preparation of Council's draft 2019/20 Financial Statements and related disclosures.

To improve the quality of the financial statements and ensure disclosures and accounting policy notes are appropriate, the draft is referred to the Committee for their assessment and advice prior to the Council considering to resolve to refer the draft statements to audit at their meeting to be held on 29 September 2020.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee supported the draft 2019/20 Financial Statements as presented as suitable for consideration by Council for referral to audit subject to minor amendments recommended by the Committee.

(Cr Walton / Cr Heins)

DISCUSSION ITEMS

Financial Commentary:

- P.1 – Total Income from Continuing Operations: \$366.0m.
- P.1 – round up Net Operating Surplus to \$18.7m.
- P.1 - Net Operating Results to be consistent terminology.
- P.2 - Other Revenues to be consistent with Income Statement.
- P.10 – Confusion between ratio and percentage.
- P.9 – Key Performance Indicators: Acknowledge that benchmarks are set by the Office of Local Government (OLG).
- P.9 – Operating Performance: Within Annual Report consider including an additional Operating Performance Ratio to reflect what the result would have been without the impact of unusual transactions due to COVID and summer storms for comparison purposes.
- Annual Report: Include further discussion on COVID, summer storms and community issues such as bins, etc., in Council's Annual Report to explain why the Operating Performance Indicator is so low.
- Ms Foley to draft recommended changes to Financial Commentary and circulate to ARIC.

Key Policies and Assumptions:

- Provision for Landfill Asset Remediation: The ARIC discussed the appropriateness of the use of the IPART's Local Government Discount Rate to calculate the asset remediation provision and were interested in the Audit Office of NSW's view and industry practice.
- Contact IPART and the NSW Audit Office with feedback re IPART calculations.
- CEO to discuss approach with IPART.
- Supplementary note to be included in financial statements to disclose further information about the use of the IPART rates.
- The ARIC discussed the Defined Benefit Super Scheme contingent liability including the appropriateness of the key economic long term assumptions used to undertake the preliminary calculation of the present value of the accrued benefits by the actuary. The Fund's Actuary is expected to undertake a final end of year review around November/December 2020. Ms Foley will contact LG Super to provide feedback on the high rates utilised to undertake the forecast.
- Natural disaster provisions: Under current accounting standards it is not possible to establish a provision for costs not yet occurred. Internally restricted reserves may be established to provide for possible emergency events.

Notes to the Financial Statements:

- P.30 – first paragraph Grant Income under AASB15 – remove control of.
- P.31 – externally restricted and internally restricted – wording on tied grants needs to be clarified.
- P.34 - \$600k for consistency.
- P.52 - Note 7: other income – requires clarification as includes loss and profit.
- P.79 – Market Risk missing text.
- P.80 – comparative table for 2019 to be included.
- P.115 - Special Schedules –Asset Maintenance Ratio – clarify if this should be a ratio or a percentage.
- Discussion regarding an inclusion on Note 1 of a general COVID statement given that the pandemic has had the biggest impact on financial statements this year. Ms Foley advised this has been reflected in the financial commentary and budget impact note within the statements.

General Business:

- Audit Office of NSW has now completed its audit on development contributions which will be further discussed at the next ARIC meeting and it was recommended that Council consider performing a gap analysis on this audit.

NOTES

1. The Chair congratulated Ms Foley and the Finance team on a very thorough and timely presentation of the Financial Statements.
2. It was noted by the Committee that most councils are not yet providing a summary overview and commentary on Financial Statements. This was found to be very helpful and Council was congratulated on initiating this excellent practice.
3. Cr Grattan and Ms Richardson left the meeting at 11.02am.

4.0 NEXT MEETING

The next meeting of the Audit, Risk and Improvement Committee is scheduled to take place at 2.00pm on Tuesday 8 September 2020 via remote audio visual link.

The meeting concluded at 11.24pm.