



northern
beaches
council

MINUTES

EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

held in the Flannel Flower Room, Civic Centre, Dee Why on

TUESDAY 13 SEPTEMBER 2022

Minutes of the Extraordinary Audit, Risk and Improvement Committee Meeting**held on Tuesday 13 September 2022****in the Flannel Flower Room, Civic Centre, Dee Why****Commencing at 11.41 am****ATTENDANCE:****Voting Members of the Committee**

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

Council Officers (non-voting)

Mr Ray Brownlee PSM	Chief Executive Officer
Mr Jeff Smith	Director Corporate & Legal
Mr David Walsh	Chief Financial Officer
Ms Caroline Foley	Executive Manager Financial Planning & Systems
Ms Deirdre Cooper	Executive Manager Internal Audit & Complaints Resolution (remote)
Ms Sarah Dunstan	Executive Manager Governance & Risk
Ms Claudia Brodtke	Senior Advisor Governance
Mr Richard Ji	Team Leader, Financial Planning & Assets
Ms Renae Wilde	Team Leader, Financial Accounting

Council Auditors (non-voting)

Ms Karen Taylor	Director of Financial Audit Services, Audit Office of NSW
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NOTES:

- 1. 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.

9.0 EXTERNAL AUDIT**9.1 2021/22 FINANCIAL STATEMENTS****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 2021/22 Northern Beaches Council Financial Statements (Draft) prior to their inclusion on the agenda for the Council meeting to be held on 27 September 2022.

DISCUSSION

Caroline Foley, Executive Manager Financial Planning and Systems addressed the meeting on this item. C Foley provided an overview of the statements and assumptions. The ARIC took the report as read and discussed the matters in detail, with key points discussed as follows:

- Operating surplus of \$62 million including capital grants (\$18 million excluding capital grants) – Council had been operating with two consecutive years of deficits prior to that.
- All financial and asset performance measures have been met.
- The financial year was entered during a period of lockdown due to COVID-19 also impacting the FY21/22. The community were supported primarily through the waiving of outdoor dining fees and subsidies to tenants.
- A desktop evaluation of infrastructure assets was undertaken with an increase in the value of infrastructure assets.
- The discount rate used for the remediation provision for the Kimbriki asset have moved from using the RBA long term government bond rate to using the IPART discount rate as it gives a more current view of the cost, in comparison to the RBA rate which is only released every six months.
- Notation of the impact of bond rate provisions on employee leave entitlements, that without this provision the rate would be higher. The number of leave entitlements across the organisation has also gone down.
- Impact of inflation and discussion of the use of panel rates, which are not totally impacted by inflation rates due to the locked in prices.
- Performance on workers compensation, with the new system for isolating and reporting on claims bringing clarity to this category.
- To ensure consistency in valuations and assumptions during this period of flux and change,

Finance use the most appropriate indices for what they are aiming to measure.

- All landfill costs have the inflation rate updated as required under the Section 108 provision.
- There was discussion of the Rural Fire Service (RFS) asset costing, noting that the auditors are satisfied with the statements and that Council has worked with RFS to know what the assets are and the condition of them.

ARIC provided feedback and items for consideration per below:

Note Reference	Note Item	Matter
Financial Commentary	Summary results	Remove sparkline trend graphs following summary results
Statement of Financial Position (and throughout)	Equity - IPPE Revaluation Reserve	The "IPPE Revaluation Reserve" should be re-labelled "IPPE Revaluation Surplus" for consistency with accounting standards (AASB 116, AASB 101)
Note A1-1 Basis of Preparation	Introduction section	The financial statements are presented in Australian dollars and rounded to the nearest thousand dollars - include further explanation regarding figures that are not rounded to the nearest thousand dollars
Note B2-4 Grants and Contributions	List of special purpose grants and non-developer contributions (tied)	Need to write out what the acronym LIRS stands for
Note B3-4 Depreciation and Amortisation	Depreciation and amortisation by asset categories	Expand on the depreciation figure for the 'other' asset category line item
Note B5-1 Material budget variations	Material budget variations	The note was difficult to read so list figures in their own column or separate from the text
Note C1-3 Restricted and allocated cash, cash equivalents and investments	External restrictions and internal allocations	The note was difficult to read so list the relevant footnote letter for each line item in its own column or separate from the text

A general discussion was held on the potential future impacts to Council's future CAPEX program noting ongoing impacts from COVID-19 included associated sickness of workers, supply issues and the competitive market for building materials.

The Committee noted the papers were of a high standard and congratulated Council on the turnaround regarding the surplus results.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee supported the draft 2021/22 Financial Statements as presented as suitable for consideration by Council for referral to audit.

9.2 AUDIT OFFICE MANAGEMENT LETTER ON THE INTERIM PHASE OF THE AUDIT FOR THE 2021/22 FINANCIAL YEAR

PURPOSE

To provide the Audit, Risk and Improvement Committee with the Audit Office of NSW Audit Management Letter for the year ending 30 June 2022 for its review.

DISCUSSION

Karen Taylor, Director of Financial Audit Services Audit Office of NSW addressed the meeting providing a verbal update on the management letter. The Finance team were complimented on the comprehensive papers. It was noted that the ARIC undertook a good level of scrutiny on the papers.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the Audit Office of NSW Management Letter for the year ending 30 June 2022.

9.3 AUDITOR GENERAL'S REPORT ON LOCAL GOVERNMENT 2021

PURPOSE

To present the New South Wales Auditor-General's Report on Local Government 2021 to the Audit, Risk and Improvement Committee for its information and consideration.

DISCUSSION

Karen Taylor, Director of Financial Audit Services at the Audit Office of NSW spoke to this item. There was discussion around the future works program released by the office of the Auditor General, with future audits in the upcoming areas of cyber security, financial management, governance and coastal management.

It was noted that Council was recently audited by the Audit Office of NSW in the area of development application, assessment and determination.

COMMITTEE RESOLUTION

The Audit, Risk and Improvement Committee noted the Auditor-General's Report on Local Government 2021.

10.0 NEXT MEETING

Tuesday 13 September 2022 at 2.00pm.

The meeting closed at 12.30pm.