

MINUTES

EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

held by remote audio visual link

WEDNESDAY 11 OCTOBER 2023

Minutes of the Extraordinary Audit, Risk and Improvement Committee**Meeting held on Wednesday 11 October 2023****Online via Zoom.****Commencing at 2pm****ATTENDANCE:****Voting Members of the Committee**

Stephen Horne (Chair)
Mark McCoy
Julie Walton
Robert Lagaida
Councillor Bianca Crvelin
Councillor Sarah Grattan

Visitor

Mayor Sue Heins

Council Officers (non-voting)

Scott Phillips	Chief Executive Officer
Eskil Julliard	Acting Director Corporate & Legal
David Walsh	Chief Financial Officer
Caroline Foley	Executive Manager Financial Planning & Systems
Sarah Dunstan	Executive Manager Governance & Risk
Richard Ji	Team Leader, Financial Planning & Assets
Renae Wilde	Team Leader, Financial Accounting
Anna Moore	Senior Advisor Governance

Council Auditors (non-voting)

Ms Susan Prichard	Director - Financial Audit, Audit Office of NSW
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1.0 APOLOGIES

Nil

2.0 DISCLOSURES OF INTEREST

Nil

9.0 EXTERNAL AUDIT

9.1 DRAFT 2022/23 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 draft 2022/23 Northern Beaches Council Financial Statements prior to their inclusion on the agenda for the Council Meeting to be held on 24 October 2023.

DISCUSSION

The Chair introduced the item and complimented staff for the judgments and assumptions document.

Caroline Foley, Executive Manager Financial Planning and Systems and David Walsh, Chief Financial Officer, provided a high level overview of the draft financial statements and members were invited to step through all of the components in the pack and ask questions and/or provide comments.

Key points discussed as follows:

- Council's Net Operating Result for the 2022/23 financial year is a \$51.7m surplus (\$17.8m surplus before Capital Grants and Contributions)
- All performance indicators met the Office of Local Government's benchmark
- Services impacted by COVID in previous financial years are returning to pre-COVID levels of income and expenditure
- Overall grant income was lower than the previous year, which had included a number of COVID-stimulus grants
- A comprehensive revaluation of open space and land assets was undertaken along with a desktop revaluation of all other infrastructure assets
- A new source for the Commonwealth Government Securities rate was utilised to inform the calculation of the employee leave entitlements and landfill remediation provisions as the RBA has discontinued publishing this information
- The revenue recognition for disaster recovery funding was discussed. Caroline confirmed that revenue recognition occurs when the claim is approved and the funds are received. The exception to this is payments in advance for the 'reconstruction of essential public assets', with the revenue deferred (and held as a contract liability) until the works are undertaken.

ARIC provided feedback, including general formatting and refining commentary along with the following suggestions for consideration:

Note Reference	Note Item	ARIC comment
Financial Commentary	Expenses	Employee expenses - include that these costs are net capitalised staff costs. Improve wording around the impact of the Employee Leave Expenses movement.
Financial Statements	Note B1-1, B1-2 Functions or Activities	Provide further commentary around major movements relating to the various functions or activities
Financial Statements	Note B2-4 Grants and Contributions	Update wording on footnote
Financial Statements	Note B2-5 Interest and Investment Income	Break out interest into externally restricted / internally restricted / unrestricted cash
Financial Statements	Note B3-1 Employee Benefits and On-Costs	Salaries and wages have risen by 2.1% but Employee Leave Expenses have increased by 80%. Add a footnote to explain.
Financial Statements	Note B3-3 Borrowing Costs	Add comment to accounting policy around unwinding of the discount on asset remediation - explain what it means - i.e. not a borrowing cost related to a loan
Financial Statements	Note B5-1 Material Budget Variations	Add commentary around material and services due to the large dollar value variance (even though the variance is less than 10%)
Financial Statements	Note C3-4 Employee Benefit Provisions	The current employee provisions not expected to be settled in the next 12 months are difficult to understand in relation to the table above - add a footnote to explain.
Financial Statements	Note F1-1 and Note F1-2 Key Management Personnel (KMP) and Councillor and Mayoral Fees and Associated Expenses	Amend these notes to recognise Councillors as KMP while, preferably, still showing details of their fees etc separately from the remuneration of management.
Financial Statements	Note F1-2 Councillor and Mayoral Fees and Associated Expenses	Include a footnote to explain super is included in the Mayoral and Councillor fees from 2023
Financial Statements	Note G2-1 Commitments	Capital commitments should be shown inclusive of GST (as the respective purchase order amounts to which Council has contractually committed are amounts inclusive of GST). State Government reporting recognises this and requires such disclosures to be of GST-inclusive amounts.

Sue Prichard, Director - Financial Audit, Audit Office of NSW addressed the meeting providing a verbal update. Sue thanked the Finance team for assisting with information and to allow the Audit Office to be in this early position with its audit.

The Chair thanked members for their rigorous examination of the draft financial statements and Council staff for the quality of information. The Chief Executive Officer thanked the Committee for the valuable session.

ACTION

Provide investment information shared with Councillor Crvelin when she joined ARIC to Robert Lagaida.

OUTCOME

That the Audit, Risk and Improvement Committee support the draft 2022/23 Financial Statements as presented as suitable for consideration by Council for referral to audit.

14.0 NEXT MEETING – Tuesday 12 December 2023

The meeting concluded at 3:43pm

This is the final page of the minutes comprising 6 pages numbered 1 to 6 of the Extraordinary Audit, Risk and Improvement Committee meeting held on Wednesday 11 October 2023