

MINUTES

EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

held by remote audio visual link

TUESDAY 10 SEPTEMBER 2024

Minutes of the Extraordinary Audit, Risk and Improvement Committee meeting

held on Tuesday 10 September 2024

Online via Teams

Commencing at 11:00 AM

ATTENDANCE:

Members of the Committee

Chair Stephen Horne (Chair)
Member Mark McCoy
Member Julie Walton
Member Robert Lagaida
Member Sarah Grattan (apology)

Council Officers (attendees)

Scott Phillips	Chief Executive Officer
Kelly Loveridge	Chief Operating Officer
David Walsh	Chief Financial Officer
Caroline Foley	Chief Financial Officer
Renae Wilde	Team Leader, Financial Accounting
Richard Ji	Team Leader, Financial Planning & Assets
Sally Hall	Executive Manager Internal Audit & Complaints Resolution
Sarah Dunstan	Executive Manager Governance & Risk
Lauren Reti	Senior Advisor Governance

Council Auditors (non-voting)

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

Apologies were received from Councillor Sarah Grattan.

2.0 DISCLOSURES OF INTEREST

There were no disclosures of interest.

4.0 ITEMS RESOLVED BY EXCEPTION

OUTCOME

No items were dealt with by exception.

9.0 EXTERNAL AUDIT

9.1 DRAFT 2023/24 FINANCIAL STATEMENTS

PURPOSE

The purpose of this report is 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 2023/24 Northern Beaches Council Financial Statements prior to their inclusion on the agenda for the Council meeting to be held on 15 October 2024.

DISCUSSION

The Chair introduced the item and commended staff on the quality and information in their reports and papers.

Caroline Foley, Chief Financial Officer, provided a high level overview of the draft financial statements and members were invited to step through the suite of reports and ask questions and/or provide comments.

Key points discussed were:

- Councils Operating Result for the 2023/2024 financial year is a \$44.1m surplus (\$14.9m surplus after excluding grants and contributions received for capital purposes)
 - Grants and contribution income was lower than the previous year. This is due to the advance payment of the Financial Assistance Grant in the 2023 financial year and the finalisation of COVID stimulus and storm funded projects.
 - Interest and investment income was \$4m higher than the previous year due to higher interest rates and cash balances.
 - Council is replacing its core operating system. Whilst previously this would have been considered capital expenditure, it is now an operational expense being undertaken over
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several years.

- ARIC members queried the treatment of the Financial Assistance Grant. Staff confirmed accounting standards determine that grants be recognised in the period in which they are received. In the financial statements it is disclosed across 2 lines to show the amount received relating to the current year and the amount received in advance.
- Caroline confirmed that the debt service cover ratio and the cash expense ratio have been corrected.
- There has been significant cost increase in the infrastructure space, primarily due to weather events over the last 5 years that have affected the condition of assets, especially roads. Comprehensive infrastructure revaluations are scheduled to be undertaken this year on buildings, operational lands and roads, footpaths and bridges. All other classes will have desktop revaluations.

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

Note Reference	Note Item	ARIC comment
ARIC report on Financial Statements		Do not include one-off temporary items in the figures that reduce the underlying result (like ERP project).
Financial Statements	Financial Commentary Introduction	Under the Financial Assistance Grant section, update wording to reflect that the grant was received and not paid in advance.
Financial Statements	Financial Commentary Income from continuing operations analysis	Under the rates and annual charges section, add the word 'to' before due an increase in the charge to \$555. Under the net gain from the disposal of assets section, update wording as it refers to 2023 and notes to refer to the following page for 2024 figures when there is no further narrative on the next page.
Financial Statements	Financial Commentary Expenses from continuing operations analysis	Under the borrowing costs section, update wording from the 'unwinding of the discount for the asset remediation liability' to 'unwinding of the discount - asset remediation'. Under the net loss from the disposal of assets section, update wording to infrastructure assets.
Financial Statements	Financial Commentary Assets analysis	Under the receivables section, update wording from 'timing of payments' to 'timing of receipt'.
Financial Statements	Financial Commentary Key performance indicators	Under the Asset maintenance ratio section, update 'infrastructure assets was now insufficient' to 'infrastructure assets is now insufficient'.
Financial Statements	B3-1 Employee benefits and on-costs	Add footnote to explain the increase in salaries and wages year on year.
Financial Statements	B3-3 Borrowing costs	Update wording on footnote - unwinding of discount asset remediation.
Financial Statements	B5-1 Material budget variations	Under cash flows from operating activities, take out 'and operationally recognised' wording. Further explain the variance over and above the \$10m grants.

Financial Statements	C1-3 Restricted and allocated cash, cash equivalents and investments	Remove road reserve line item from list of internal allocations as there is a nil balance.
Financial Statements	C1-7 Investment properties	Take out word '(loss)' from 'net gain (loss) from fair value adjustments.
Financial Statements	C2-1 Council as a lessee	Update narrative to reflect 1 building under right of use assets.
Financial Statements	Note E3-1 Contingencies Assets not recognised	Update the Storm Damage Assistance statement to include the dollar value of claims under assessment from previous years.
Financial Statements	Note F1-2 Councillor and Mayoral Fees and Associated Expenses	Provide further clarification that the figures in F1-2 are a subset of F1-1.
Financial Statements	Note G1-1 Statement of Cash Flows information	To better understand where the net cash flows from operating activities comes from, add wording to state that it comes from the statement of cash flows (similar to how the net operating result figures at the top of the table state it comes from the income statement).
Financial Statements	Note G2-1 Commitments	Capital commitments should be shown inclusive of GST rather than exclusive 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.
Financial Statements	E3-1 Contingencies	Employee defined benefit super scheme - more disclosure is recommended if coverage < 100%.

OUTCOME (UNANIMOUS)

The Audit, Risk and Improvement Committee supported the draft 2023/24 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 2023/24 FINANCIAL YEAR

PURPOSE

The purpose of this report is to provide the Audit, Risk and Improvement Committee with the Audit Office of NSW Interim Audit Management Letter for the year ending 30 June 2024 for its review.

DISCUSSION

Sue Prichard, Director – Financial Audit, Audit Office of NSW addressed the meeting providing a verbal update on the management letter. Sue advised there is a team of 4 staff that will commence the audit in the week beginning 16 September 2024, for the next 3-4 weeks.

There was discussion around capitalisation of work in progress jobs and a suggested change to compliance report for invoices received prior to purchase orders being raised. Finance provided updates on Council's business processes relevant to the issues raised.

OUTCOME

The Audit, Risk and Improvement Committee noted the Audit Office of NSW Management Letter on the Interim Phase of the Audit for the year ending 30 June 2024.

13.0 GENERAL BUSINESS

Scott Phillips addressed the meeting to advise that David Walsh, Chief Financial Officer is retiring and that this would be his last ARIC meeting. Scott thanked David for his efforts and input in the financial statements. The Chair and members echoed Scott's acknowledgement and thanks.

14.0 NEXT MEETING

Tuesday 10 September 2024 2pm.

The meeting concluded at 12:46pm

This is the final page of the Minutes comprising 7 pages numbered 1 to 7 of the Extraordinary Audit, Risk and Improvement Committee held on Tuesday 10 September 2024