

MINUTES

EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING

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

TUESDAY 9 SEPTEMBER 2025

**Minutes of Extraordinary Audit, Risk and Improvement Committee meeting
held on Tuesday 9 September 2025
in the Flannel Flower, Civic Centre, Dee Why
Commencing at 11.02 am**

ATTENDANCE:

Members of the Committee

Chair Stephen Horne (Chair)
Member Mark McCoy
Member Robert Lagaida
Member Tiffany Roxburgh
Member Cr Sarah Grattan

Council Officers (attendees)

Scott Phillips	Chief Executive Officer
Kelly Loveridge	Chief Operating Officer
Sally Hall	Internal Ombudsman
Sarah Dunstan	Executive Manager Governance & Risk
Aline Fernandes	Internal Auditor
Lauren Reti	Senior Advisor - Governance

Council Auditors (attendee)

Ms Susan Prichard	Director of Financial Audit Services, Audit Office of NSW
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Guest Attendees

Cr Sue Heins	Mayor
Cr Nicholas Beauguard	Councillor - <i>remote</i>

Visitors

Caroline Foley	Chief Financial Officer
Scott McGill	Manager Financial Planning & Systems
Renae Wilde	Team Leader, Financial Accounting
Richard Ji	Team Leader, Financial Planning & Assets

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1.0 APOLOGIES

Nil

2.0 DISCLOSURES OF INTEREST

Tiffany Roxburgh declared that she resides in the Northern Beaches local government area, is the Treasurer of the Pittwater High School Parents & Citizens Association, a Non-Executive Director of the Animal Welfare League NSW and is employed full time as Chief Operating Officer at Garvan Institute of Medical Research.

Stephen Horne declared that he has stepped into the role of Chairperson for both the City of Sydney and City of Parramatta Audit, Risk and Improvement Committees.

11.0 EXTERNAL AUDIT

11.1 DRAFT 2024/25 FINANCIAL STATEMENTS

PURPOSE

The purpose of this report is to provide the Audit, Risk and Improvement Committee (ARIC) with an overview of the process undertaken and significant judgements and assumptions used in preparing the draft 2024/25 Northern Beaches Council Financial Statements prior to their inclusion on the agenda for the Council meeting to be held on 21 October 2025.

DISCUSSION

The Chair invited the Director of Financial Audit Services to provide an update from the NSW Audit Office on the current status of the audit.

The Director of Financial Audit Services confirmed that the interim audit has been finalised with nothing significant to report. Therefore an interim management letter was not required to be issued. The Finance team was commended on the assistance provided to the NSW Audit Office team and it is anticipated the current timetable will be met.

The Chief Financial Officer and Manager Financial Planning & Systems provided a summary of the results of the draft financial statements, with members then given an opportunity to provide comments and ask questions.

Key points discussed:

- Net operating result of \$61.5m surplus including capital grants and contributions (\$17.2m surplus excluding capital grants and contributions).
- There are several restrictions on funds within the \$17.2m surplus. When these are removed, the underlying result was a surplus of \$0.2m.
- Council met all 6 financial performance indicators. Approval of the Special Rate Variation (SRV) from IPART will ensure Council can meet the 4 asset performance indicators in the coming financial year.
- The net operating result increased by \$20m for 2024/25 compared with the 2023/24 financial year. This was influenced by several factors including:
 - An increase in capital grants and contributions due to a non cash dedication of stormwater assets, along with several large grant funded projects including Frenchs

Forest precinct park upgrades and Manly Dam boardwalk.

- Large disaster recovery payments received with a lower spend than previous years.
- Insurance claims, with receipt of a large claim related to fire damage at a Council property.
- The Financial Assistance Grant (FA Grant) was \$1.8m lower than the prior year due to a change in the Commonwealth Government's approach to prepaying this grant. In 2025, 50% of the 2026 FA Grant was paid in advance. By comparison, 85% of the 2025 FA Grant was paid in advance in 2024.
- The project to replace Council's core operating systems progressed substantially. An additional \$4.8m was spent in the 2024/25 financial year, with a total spend of just under \$8m, compared with \$3m in the 2023/24 financial year.
- ARIC members enquired on the rationale for the discount rates used for the employee leave entitlement provisions. Staff confirmed there are requirements with accounting standards to what constitutes risk free rates, the table used by Council is used consistently across the sector for this purpose as it is considered the reflective risk free rate within the context of discounting provisions. In regards to timing of individual years, in the case of employee leave entitlements it is to reflect the fact they will be utilised progressively. The ARIC suggested staff raise with the Office of Local Government the rationale of risk free rates being used for discounting provisions as they may generate misleading results.
- The ARIC queried the commentary on employee benefits and on-costs and suggested that additional commentary would assist the community to understand why Council is not above the benchmark rate.

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

Section	Note Item	ARIC comment
ARIC report	Pg 12	Consider adding commentary on 2 asset performance indicators being below benchmark on pages 3 and/or 101.
Financial Statements	Financial Commentary	Materials and Services – IT and Communications costs of \$18.8m (per Note B3-2) – suggest these costs be referenced in the first sentence. 'Significant variances' refers to most of the \$5.5m IT increase being 'operating system project costs' - add an accounting policy statement referring to software (and other intangibles) being expensed rather than capitalised (if not included elsewhere).
Financial Statements	Financial Commentary	Re Cash etc - suggest removing redundant first sentence and value/necessity of remaining commentary.
Financial Statements	Financial Commentary	Provisions – suggest review of the explanation.
Financial Statements	Financial Commentary	Operating performance commentary - line 2 reword 'recovery of natural disaster and increased fine income'.
Financial Statements	Financial Commentary	Operating performance commentary – reorder and reword for clarity.
Financial Statements	Financial Commentary	Unrestricted current ratio commentary – suggest rewording to more accurately reflect the drivers of the movement in this ratio.
Financial Statements	Financial Commentary	Buildings and infrastructure renewals ratio – here (and on page 14) – suggest minor rewording in the context of achieving benchmarks, eg 'return' to 'gradually return'.
Financial Statements	Financial Commentary	Asset maintenance ratio – suggest rewording the description of the ratio for clarity.

Financial Statements	Financial Commentary	The % change figures appear to all be calculated as '2025 amount/2024 amount' (expressed as a percentage) without regard to whether the amounts are positive or negative - suggest all movement percentages be based on what is favourable (a positive movement percentage) or unfavourable (a bracketed movement percentage).
Financial Statements	Note G2-1 Commitments	GST policy – revenues, expenses and assets are recognised net of GST, unless GST is not recoverable in which case it is included in the cost of an asset – check Note G2-1 re capital expenditure commitments (to create assets).
Financial Statements	B1-1 Functions or activities - income, expenses and assets	Subscript 1 – query reference to 'or Council rates'. Subscript 4 – suggest rewording for clarity.
Financial Statements	B1-2 Components of functions or activities	After 'Eliminations', add a description of the function or activity labelled 'General purpose income' in the list on page 29.
Financial Statements	B2-6 Other income	Subscript 1- check if restriction should be included in Note C1-3. Consider cross-referencing Frenchs Forest Contribution Plan here with subscript 2 on page 91 (to make 'navigation' easier for the reader).
Financial Statements	B3-4 Depreciation, amortisation and impairment of non-financial assets	Subscript 2 refers to amortisation of landfill remediation asset, but page 70 says such costs are depreciated (not amortised). If amortised, state applicable accounting policy. If depreciated, suggest including the respective useful life with other asset classes being depreciated on page 58.
Financial Statements	B5-1	Interest and investment income – line 2 – 'higher' - suggest "higher (than budgeted) interest rates.
Financial Statements	B5-1	Cash flows from investing activities – suggest the first dot point be more specific re amount, suggest rewording 2 nd dot point for clarity and to quantify the comment.
Financial Statements	B5-1	Cash flows from investing activities – there is a heading at the bottom of page but no amounts or commentary No reference to cash flows from financing activities – amend to include appropriate amounts and commentary in each case.
Financial Statements	C2-1 Council as a lessee	First sentence – amend 'below market for' to 'below market value for'; suggest under 'Council as lessor' heading' amend wording to 'The leases are generally for terms of between 10 and 20 years'.
Financial Statements	C3-5 Provisions	Last sentence re provision for self-insurance – refers to Note E3-1 (1.iii) –appears incorrect. Sentence re bank guarantee for \$5,042,000 also references Note E3-1 but E3-1 does not mention such an amount. Cross-referencing needs checking.
Financial Statements	E2-1 Fair value measurement	A total for the amounts listed on this page needs to be included - \$5,405,371. The reconciliation is to an amount of \$5,405,370 – a rounding compared to the total of amounts on the previous page.
Financial Statements	G2-1 Commitments	Suggest subscript 2 be deleted.
Financial Statements	Note C1-3	CFO discussed with ARIC intention to restrict rollover funding as an internal allocation to fund future works as well as restricting resilience funds to cover future natural disasters

ACTIONS

The ARIC asked the team to:

1. Review the employee leave entitlement provision discount rate for the year 2036.
2. Confirm if the bond is paid with a coupon or yields – pt 7 (c) Key accounting policies, critical accounting estimates and significant judgements position paper.

OUTCOME

That the ARIC support the draft 2024/25 Financial Statements as presented (inclusive of suggested amendments) as suitable for consideration by Council for referral to audit.

14.0 NEXT MEETING

Tuesday 9 September 2025

The meeting concluded at 12:38pm

This is the final page of the Minutes comprising 8 pages numbered 1 to 8 of the Extraordinary Audit, Risk and Improvement Committee held on Tuesday 9 September 2025