

# **GLEN INNES SEVERN COUNCIL**

## **BUSINESS PAPER**



**FOR THE ORDINARY  
COUNCIL MEETING**

**TO BE HELD ON  
THURSDAY,  
15 DECEMBER 2022**





# GLEN INNES SEVERN COUNCIL

Notice is herewith given of an  
**ORDINARY MEETING**

That will be held at the Glen Innes Severn Learning Centre,  
William Gardner Conference Room, Grey Street, Glen Innes on:  
Thursday, 15 December 2022 at 9.00am

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## ORDER OF BUSINESS

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Dennis McIntyre  
**Interim General Manager**

## 11 MATTERS OF AN URGENT NATURE

**REPORT TITLE:** 11.1 DRAFT GENERAL PURPOSE AND SPECIAL PURPOSE FINANCIAL STATEMENTS AND SPECIAL SCHEDULES FOR THE 2021/2022 FINANCIAL YEAR

**ECM INDEXES:**

**Subject Index:** FINANCIAL MANAGEMENT: Financial Reporting

**Customer Index:** NIL

**Property Index:** NIL

**AUTHOR:** Anna Watt - Director of Corporate and Community Services

**APPROVER/S:** Dennis McIntyre - Interim General Manager

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### PURPOSE

The purpose of this report is for Council to comply with the statutory requirements relating to the General Purpose Financial Statements, Special Purpose Financial Statements and Special Schedules for the year ended 30 June 2022.

The Draft Financial Statements are required to be referred to Council's Auditor after certification by the Mayor, a Councillor, the Interim General Manager and the Responsible Accounting Officer.

### RECOMMENDATION

1. *In accordance with Section 413 (2) (c) of the Local Government Act 1993:*
  - a) *Council resolves that, in its opinion, the General Purpose Financial Statements and the Special Purpose Financial Statements for the year ended 30 June 2022 and the Special Schedules are properly drawn up in accordance with the provisions of the Local Government Act 1993 and the Regulations thereunder.*
  - b) *Council authorises for the Financial Statements for the year ending 30 June 2022 to be certified and signed by the Mayor, the Deputy Mayor, the Interim General Manager and the Responsible Accounting Officer on behalf of Council.*
2. *The Financial Statements be referred to Council's Auditor for audit.*

3. *The audited Financial Statements be forwarded to the Office of Local Government by 28 February 2023.*
4. *The Interim General Manager be delegated authority to, after Council receives a copy of the Audited Financial Statements and Auditor's report, place the Audited Financial Statements on public exhibition and give notice that Council will present its Audited Financial Statements at the Ordinary Council Meeting that is being held on either Thursday, 23 February 2023 or Thursday, 23 March 2023.*
5. *The Audited Financial Statements be presented at the Ordinary Council Meeting that is being held on either Thursday, 23 February 2023 or Thursday, 23 March 2023, in accordance with Section 419 (1) of the Local Government Act 1993.*

## REPORT

### (a) Background

In accordance with Section 416 (1) of the **Local Government Act 1993 (the Act)**, a Council's Financial Statements for a year must be prepared and audited within four (4) months of the end of the reporting period concerned.

The statutory process that must be followed is that:

1. A statement as required under section 413 (2)(c) of the Act, must be made by resolution and signed by the Mayor, one (1) Councillor, the General Manager and the Responsible Accounting Officer.
2. The Financial Statements must then be referred to the Council's Auditor for audit and once audited the statements must be included in Council's Annual Report.
3. Copies of the Audited Financial Statements must be lodged with the Office of Local Government by 31 October.
4. As soon as practicable after Council receives a copy of the Auditor's report, the Statements must be placed on public exhibition and notice given of a meeting at which Council proposes to present its Audited Financial Statements, together with the Auditor's report.

This act of giving notice of the meeting is required to be delegated to the General Manager as technically the notice of meeting cannot be set until the final audited Statements and Audit Report are received.

Council resolved the following at its Ordinary Council Meeting held on Friday, 23 September 2022:

### **11.09/22 RESOLUTION**

That Council endorses a request for an extension to lodge the Financial Statements for the Year Ending 2021/2022 be submitted in writing to the Office of Local Government by Monday, 17 October 2022.

### **CARRIED**

A request for an extension to lodge the Financial Statements was sent to the Office of Local Government on Thursday, 6 October 2022.

Council resolved the following at its Ordinary Council Meeting held on Thursday, 24 November 2022:

#### **4.11/22 RESOLUTION**

That Council endorses a request for a further extension to lodge the Financial Statements for the Year Ending 2021/2022 be submitted in writing to the Office of Local Government requesting a revised lodgement date of Tuesday, 28 February 2023.

#### **CARRIED**

A request for an extension to lodge the Financial Statements was sent to the Office of Local Government on Thursday, 24 November 2022.

The Draft Financial Statements were presented to the **Audit, Risk and Improvement Committee (ARIC)** on Monday, 12 December 2022 and were endorsed by consensus.

#### **(b) Discussion**

The Draft General Purpose Financial Statements and Draft Special Purpose Financial Statements for Council for the year ended 30 June 2022 are distributed with this report under separate cover (**Annexure A**) and are available for audit.

The Auditor's Reports and analysis will be presented to Council and the public at either the 23 February 2023 or the 23 March 2023 Ordinary Council Meeting. This is in accordance with Section 419 (1) of the Act.

Subject to finalising some reconciliation work relating to Grants expenditure and final administrative review, the statements indicate a minor net operating loss for the year of \$1.533M, an improvement on the previous year which resulted in a net operating loss of \$5.914M.

The result also allows for the operating depreciation on assets of \$8.07M to be funded from recurrent revenue \$7.6M in previous year. Council received \$16.9M in capital grant funding (and increase of \$12.2M over the previous year), while operating grants remained relatively constant at just over \$11M.

Council was required to undertake a significant reassessment of the fair value of much of its Infrastructure assets at 30 June 2022, due to substantial increases in the cost of material inputs, resulting from the cumulative impacts of the pandemic, global supply chain issues and steeply rising inflationary trends. In the light of these impacts, the NSW Audit Office has mandated that all councils must index the carrying value of their assets to ensure the costs reported in the financial statements reflect the relevant cost of replacement. This has resulted in the value of Infrastructure assets being increased by more than \$30M to a total of \$351.3M (\$314M at the end of the previous year).

There will be a downstream impact of this indexation on future depreciation charges and this will need to be factored into future annual operating plans and budgets.

Consistent with the previous year, the draft financial statements indicate a small negative cash position after taking into account all external and internal restricted cash, identified for various purposes. While this is not an ideal position, the value of internal restrictions approved by Council at its meeting on 23 September 2022, contains a degree of discretion and this would be manageable provided the cash position is not further eroded.

As part of the final administrative review prior to finalising the audit, the net cash position will be closely analysed and any variation noted in the final report.

Section 413 of the Act requires Council to prepare its Annual Financial Statements as soon as practicable after year end and to refer those statements to audit. In preparing the annual financial statements the Act requires Council to comply with the:

- (i) *Local Government Act 1993 (NSW)*;
- (ii) *Local Government (General) Regulations 2005 (NSW)*;
- (iii) Australian Accounting Standards and other relevant publications issued by the Australian Accounting Board; and
- (iv) Local Government Code of Accounting Practice and Financial Reporting.

Consultant, Laurie Knight has advised to the best of his knowledge and belief and subject to final administrative review, these statements present fairly the Council's operating result and financial position for the 2021/2022 financial year. They also concur with Council's accounting and other records. Council is not aware of any matter that would render these Statements false or misleading in any way.

Council is aware that the statutory time for submission of audited Financial Statements to the **Office of Local Government (OLG)** each year is 31 October. For the year ending 30 June 2022, the submission of the audited Financial Statements to OLG will occur prior to 28 February 2023, Council having previously been informed that its auditors have requested that Council seek an extension in accordance with sec 416 (2) of the Act, due to a range of factors delaying completion of the audit for this year.

A final report on the operating result and associated performance indicators will be provided to Council and the community following completion of audit.

### **Certification**

Section 413 (2) (c) of the Act, requires that before audit certificates can be issued, Council is to adopt a resolution to be attached to the Financial Statements stating that:

Council's General Purpose Financial Statements and Special Purpose Financial Statements are being prepared in accordance with:

- The Act and the Regulations made thereunder;
- The Australian Accounting Standards and professional pronouncements;
- The Local Government Code of Accounting Practice and Financial Reporting;
- The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines;
- NSW Government Policy Statement '*Application of National Competition Policy to Local Government*';
- Department of Local Government Guidelines '*Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*'.

These Statements must be signed by the Mayor, one (1) other Councillor, the General Manager and the Responsible Accounting Officer.

A copy of the required statement to be signed is included in the attached Draft Financial Statements (Page 4).

It should be noted that the unaudited Financial Statements reflect an opinion only and are not legally binding.

**(c) Options**

Nil.

**IMPLICATIONS TO BE ADDRESSED**

**(a) Financial**

The Financial Statements are Council's primary form of review on Council's sustainability and the financial performance of Council throughout the reporting period.

For this reason, they remain a crucial part of the performance measurement framework and the financial performance as disclosed should be a serious consideration in any future decision making.

**(b) Governance/Policy**

The Australian Accounting Standards and professional pronouncements;

The Local Government Code of Accounting Practice and Financial Reporting;

The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines;

NSW Government Policy Statement '*Application of National Competition Policy to Local Government*';



Office of Local Government Guidelines *'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality'*.

**(c) Legislative/Statutory**

*The Local Government Act 1993;*

The relevant sections of the Local Government Act 1993 are as follows:

**413 Preparation of Financial Reports**

- (1) A council **must** prepare financial reports for each year and **must** refer them for audit as soon as practicable.
- (2) A Council's Financial Reports must include:
  - (a) A General-Purpose Financial Report, and
  - (b) Any other matters prescribed by the regulations, and
  - (c) A statement in the approved form by the Council as to its opinion on the General-Purpose Financial Report.
- (3) The General-Purpose Financial Report **must** be prepared in accordance with this Act and the regulations and the requirements of:
  - (a) The publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to the regulations, and
  - (b) Such other standards as may be prescribed by the regulations.

**416 Time for preparation and auditing of Financial Reports**

- (1) A Council's Financial Reports for a year **must** be prepared and audited within the period of 4 months after the end of the year.
- (2) A Council may from time to time apply to the Departmental Chief Executive for an extension of that period.
- (3) A Council must make such an application if requested to do so by its auditor.
- (4) Before deciding whether or not to grant an extension, the Departmental Chief Executive may require the Council to give reasons, additional to those set out in the application, as to why the extension should be granted.
- (5) The Departmental Chief Executive may grant an extension of such period as, in the opinion of the Departmental Chief Executive, is necessary in the particular circumstances of the case.
- (6) A Council must notify its auditor of any application for an extension made under this section and of the outcome of the application.

**418 Public notice to be given of presentation of Financial Reports**

- (1) As soon as practicable after a Council receives a copy of the Auditor's Reports:
  - (a) It must fix a date for the meeting at which it proposes to present its Audited Financial Reports, together with the Auditor's Reports, to the public, and
  - (b) it must give public notice of the date so fixed.

- (2) The date fixed for the meeting must be at least 7 days after the date on which the notice is given, but not more than 5 weeks after the Auditor's Report are given to the Council.

**Note**

**Unless an extension is granted under section 416, the meeting must be held on or before 5 December after the end of the year to which the reports relate.**

- (3) The public notice **must** include:
- (a) A statement that the business of the meeting will include the presentation of the Audited Financial Reports and the Auditor's Reports, and
  - (b) A summary in the approved form, of the Financial Reports, and
  - (c) A statement to the effect that any person may, in accordance with section 420, make submissions (within the time provided by that section and specified in the statement) to the Council with respect of the Council's Audited Financial Reports or with respect to the Auditor's Reports.
- (4) Copies of the Council's Audited Financial Reports, together with the Auditor's Reports, must be kept available at the office of the Council for inspection by members of the public on and from the date on which public notice of the holding of the meeting is given and until the day after the meeting (or any postponement of the meeting).

**419 Presentation of Council's Financial Reports**

- (1) A Council must present its Audited Financial Reports, together with the Auditor's Reports, at a meeting of the Council held on the date fixed for the meeting.
- (2) The Council's auditor may attend the meeting at which the Financial Reports are presented.
- (3) A Council's auditor who carries out the functions of the auditor under an appointment by the Auditor-General **must** attend the meeting at which the Financial Reports are presented if the Council gives not less than 7 days notice in writing that it requires the auditor to do so.

**(d) Risk**

Nil.

**(e) Social**

Nil.

**(f) Environmental**

Nil.

**(g) Economic**

Nil.

**(h) Asset Management**

Nil.

**CONSULTATION**

**(a) External**

Laurie Knight from Local Gov Consulting is an external contractor that has been engaged to drive the process of collaborating with Council staff and completing Council's Financial Statements for year ended 30 June 2022. Laurie contributed the bulk of the discussion above.

**(b) Internal**

Nil.

**LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN (DPOP)**

The Audited Financial Statements form part of Council's Annual Report and therefore represents an integral part of the Integrated Planning and Reporting Framework.

The Audited Financial Statements provide an important avenue for the review of Council's progress by any interested stakeholders, including the Community.

This form of reporting also provides a benchmark by which Council can assess its financial performance and the suitability of the assumptions made in the Long-Term Financial Plan.

**CONCLUSION**

It is a requirement under Section 413 (2) (c) of the Act that a Statement, signed by the Mayor, a Councillor, the General Manager and the Responsible Accounting Officer is prepared for the General Purpose Financial Statements and the Special Purpose Financial Statements so that they can be forwarded to Council's Auditor for audit.

It should be noted that the unaudited Statements reflects an opinion only and are not legally binding until such time as the Financial Statements have been audited.

**ATTACHMENTS**

Annexure A Draft Financial Statements (*under separate cover*)