



MINUTES

Audit, Risk and Improvement Special Committee Meeting Monday 23 September 2024

Date: Monday 23 September 2024

Time: 10:00am

**Location: Council Chambers
Cnr Camp & Weddin Streets
GRENFELL NSW 2810**

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**MINUTES OF WEDDIN SHIRE COUNCIL
EXTRAORDINARY AUDIT, RISK AND IMPROVEMENT COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBERS, CNR CAMP & WEDDIN STREETS, GRENFELL
NSW 2810
ON MONDAY, 23 SEPTEMBER 2024 AT 10:00AM**

1 OPENING

Those in attendance are asked to comply with all relevant WSC codes, policies and procedures at all times.

2 ACKNOWLEDGEMENT OF COUNTRY

Weddin Shire Council would like to acknowledge the Wiradjuri people who are the Traditional Custodians of the Land.

Weddin Shire Council would also like to pay respect to the Elders both past and present of the Wiradjuri Nation and extend that respect to other Aboriginal Australians who are present.

3 ATTENDANCE

PRESENT:

Chair Ron Gillard, Member Les Hullick, Member John Oldfield

IN ATTENDANCE:

Staff Noreen Vu (General Manager), Staff John Thompson (Director of Corporate Services), Staff Da'na Holjund (Management Accountant), Jeff Shanks (Luka Group)

4 DECLARATION OF INTERESTS

Ron Gillard declared a standing conflict of interest for the reason that he is a member of the Audit Risk & Improvement Committees of Central Tablelands Water. Mr Gillard further stated that if it is a pecuniary conflict of interest and that he would leave the meeting and not participate in the debate should a conflict arise.

Proceedings in brief:

The Committee agreed that all recommendations will be resolved by consensus and that, rather than recording movers and seconders, the minutes will only record any instances of voting member dissent.

5 CONFIRMATION OF MINUTES

Deferred the confirmation of last meeting's minutes until next meeting in November.

6 GENERAL BUSINESS**6.1 PRESENTATION OF DRAFT 2023-2024 ANNUAL FINANCIAL STATEMENTS****File Number:****Author:** General Manager**Authoriser:** General Manager**Attachments:**

1. The Covering Report
2. The 2024 Weddin General Purpose Financial Statements
3. The 2024 Weddin Special Purpose Financial Statement

CSP Objective: Shire assets and services delivered effectively and efficiently**Precis:** To present Draft 2023-2024 Annual Financial Statement to the ARIC**Budget:** Nil**RECOMMENDATION**

That the Audit Risk and Improvement Committee:

1. Note the information contained in this report.
2. Note that statement in accordance with Section 413(2)(c) of the *Local Government Act 1993*, Clause 215 of the Local Government (General) Regulation 2021, for the General Purpose Financial Statements for the year ending 30 June 2024 be made.
3. Note the statement in requirements of the Code of Accounting Practice in relation to the Special Purpose Financial Statements for the year ending 30 June 2024 be made.
4. Note the statement to be signed by the Mayor, Deputy Mayor, General Manager, and Responsible Accounting Officer.
5. Provide 'in principle consent' for the Draft General Purpose Financial Statements, Special Purpose Financial Statements, and Special Schedules be referred for audit.
6. Note the Council's likely reaffirmation on its position on the non-recognition of Rural Fire Service assets in the Financial Statements.
7. Note that the audit opinion to be issue by the Audit Office of NSW will be a qualified opinion for the non-recognition of Rural Fire Service assets in the Financial Statements;
8. Provide 'in principle consent' that all statements present fairly the operating result and the financial position for the year and Council is not aware of any matter that would render the statements false or misleading in any way.
9. Note that finalisation of the Draft Annual Financial Statements will be made following the Special Meeting of ARIC which may lead to some adjustments.
10. Note that following the audit, that the Audited Draft Financial Statements, will be placed on public exhibition for a period of 7 days for the purpose of inviting submissions from the community.

11. Note that following endorsement or noting the above 9 points that Council will provide these draft financial statements to Crowe for as contract Auditors for the NSW Audit Office for auditing.
 12. Note that Crowe will be commencing their audit on site from Tuesday 8 October 2024.
 13. Note that following the declaration of the Weddin Shire Council, that the Council will consider the draft 2023-2024 Draft Annual Financial Statements at its 8 October 2024 Extraordinary Meeting of Council.
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COMMITTEE RESOLUTION 034/24

That the Audit Risk and Improvement Committee:

1. Note the information contained in this report.
 2. Note that statement in accordance with Section 413(2)(c) of the Local Government Act 1993, Clause 215 of the Local Government (General) Regulation 2021, for the General Purpose Financial Statements for the year ending 30 June 2024 be made.
 3. Note the statement in requirements of the Code of Accounting Practice in relation to the Special Purpose Financial Statements for the year ending 30 June 2024 be made.
 4. Note the statement to be signed by the Mayor, Deputy Mayor, General Manager, and Responsible Accounting Officer.
 5. Provide its 'in principle consent' for the Draft General Purpose Financial Statements and Special Purpose Financial Statements be referred for audit.
 6. Note the Council's likely reaffirmation on its position on the non-recognition of Rural Fire Service assets in the Financial Statements, and that the Committee supports Council to do so.
 7. Note that the audit opinion to be issue by the Audit Office of NSW will be a qualified opinion for the non-recognition of Rural Fire Service assets in the Financial Statements;
 8. Provide its 'in principle consent' that all statements present fairly the operating result and the financial position for the year and that the Committee is not aware of any matter that would render the statements false or misleading in any way.
 9. Note that finalisation of the Draft Annual Financial Statements will be made following the Special Meeting of ARIC which may lead to some adjustments.
 10. Note that following the audit, that the audited Financial Statements, will be placed on public exhibition for a period of 7 days for the purpose of inviting submissions from the community.
 11. Note that following the completion of this meeting and making required amendments, that Council will provide the Draft Financial Statements for auditing to Crowe as the Audit Office of NSW's contract auditor.
 12. Note that Crowe will be commencing the final stage of their audit on site from Tuesday 8 October 2024.
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13. Note that following the declaration of the Weddin Shire Council's elections, that the Council will consider the 2023-2024 Draft Annual Financial Statements at its 8 October 2024 Extraordinary Meeting of Council.

14. Commend Council staff and Luka Group for their dedication and achievement in presenting the draft statements for review in accordance with the agreed timetable.

CARRIED

PURPOSE

The purpose of this report is to present to the Audit, Risk and Improvement Committee (ARIC) the Draft Annual Financial Statement for the year ended 30 June 2024 and for ARIC to provide 'in principle support' to refer all accounts to the Audit Office of NSW for the 2023-2024 period. *The report also provides the ARIC an overview of the likely situation that Council may receive a Qualified Audit.*

BACKGROUND

In accordance with Part 4 of the *Local Government Act 1993*, under s. 428, within five months after the end of year financial year, a Council must prepare an annual report highlighting its achievements for implementing its deliver program and the effectiveness of the principal activities undertaken in achieving the objectives at which those principal activities are directed.

Under s. 428 (4), an annual report must contain:

- (a) a copy of the council's audited financial reports prepared in accordance with the *Local Government Code of Accounting Practice and Financial Reporting* published by the Department, as in force from time to time,
- (b) such other information or material as the regulations or the guidelines under section 406 may require,
- (c) a statement of the action taken by the council in relation to any issue raised by the Anti-slavery Commissioner during the year concerning the operations of the council and identified by the Commissioner as being a significant issue,
- (d) a statement of steps taken to ensure that goods and services procured by and for the council during the year were not the product of modern slavery within the meaning of the *Modern Slavery Act 2018*.

The presentation relates to the Draft Annual Financial Statements for the period of 2023-2024. The Draft Annual Report will be provided to the ARIC at a later date.

ISSUES AND COMMENTS

The Draft 2023-2024 Annual Financial Statement is now presented the ARIC for 'in principle support'. Weddin Shire Council would like to thank Luka Group for their assistance in preparation of the 2023-2024 Annual Financial Statements.

'Red Fleet' Rural Fire Service

At the July 2022 Ordinary Meeting, Council resolved not to recognise the "Red Fleet", the Rural Fire Service (RFS) assets on the balance sheet. The Council will be asked to reconfirm this position at its 17 October 2024 Council Meeting. This position will result in a 'qualified audit opinion' for the non-recognition of the RFS assets. A position paper has been written to justify our position however, it is likely to still result in a 'qualified audit opinion'.

2023/2024 Comments

In preparing the draft Annual Financial Statements, Council is likely to receive a qualified audit opinion. This includes the position on the “Red Fleet” of the Rural Fire Service.

Other main highlights to comment on are as follows:

- Our net operating surplus was \$1.190 Million and excluding capital grants it was a deficit of \$1.301 Million (capital grants being \$2.491 Mil).
- Rates, Interest Income, and net gain from Capital Proceeds were similar to last year.
- User Charges and Fees were significantly less at \$5.322 Mil. Last year included a significantly higher amount from RMCC revenue which was not received this year. This is entirely dependent upon what Transport for NSW deems it will spend on highways across the Shire by council.
- The main differences from last year were firstly Operating Grant revenue (up by up by about \$1.9 Million from last year to \$14.499 Million this year), Capital Grants for capital purposes on the other hand were lower by about \$7.7 Million to \$2.491 Mil. Most of the grant funding received this year was for operational purposes (disaster recovery flood repairs).
- Other Revenue was also up by about \$1.039 Million due to the unrealised increase in council’s third share in the value of Central Tablelands Water.
- Employee expenses has increased to \$7.0 Million this year and this increase is mainly due to increased casuals due to road activities. We note however this is a draft figure and may change before a final draft is submitted to the auditors. We believe some contractor expenses may be being reported as employee costs rather than Materials and Services (Contractors) since Materials and Services appears to be understated (given the additional Operational Grants this year for the road repairs) by a similar amount since it has only increased by about \$1.9 Million to \$13.889 Mil.

In terms of the Position Statement, we note the following:

- Total cash this year is a lot higher than last year at \$18.089 Million due mainly to the receipt of 85% up front on the 2024-2025 Financial Assistance Grant (\$3.376 Mil), as well as a 205 Tri-Partite flood repair funds (4.571 Mil).
- External Restrictions are \$9.646 Mil, and Internal Allocations are \$7.762 Million and these can be seen in detail at Note C1-3. Unrestricted cash is \$681K.
- Total IPP&E is \$264.390 Million which is up by about \$10 Million from last year (a combination of Indexation and Depreciation). There were no notable asset increases this year as most road works were operational (not capital). Work in Progress is \$7.257 Mil. Most of this related to the Main Street which was still not fully completed as at 30 June and has not yet been transferred to assets. Other WIP includes Greenethorpe to Koorawatha Road.
- Contract Assets are notably less this year at \$2.269 Million (down from \$11.258 Million last year). The unusually high figure last year was due to a lot of completed work not acquitted and converted to unrestricted cash, hence the breach in Restricted Cash last year. This year we have focused on acquitting as soon as grant works have been completed to avoid a recurrence of this incident.

In terms of ratios,

- Own Performance Ratio is a NON-MET at -9.35%. This is expected given the net deficit before capital grants this year.
- Own source operating revenue is a NON-MET at 38.03% which is similar to the last 2 financial years. This means does not meet all its operational costs based on its own revenue. That is it relies on grants and contributions, namely financial assistance grant.
- Unrestricted Current ratio is 2.86 X which is a HAS MET.
- Debt Services Cover ratio is 6.3 X which is a HAS MET
- Rates and Annual Charges Outstanding ratio has deteriorated from 10.51% to 14.2%. This needs to be below 10% and is a NON-MET. Focus needs to be on collecting old debts.
- Cash Expenses Cover Ratio is a HAS MET at 9.32 X however this will vary due to the actual cash balance in the account which is high as at year end.

The Audit Office's contractor will be on site to undertake an audit, week commencing Tuesday 8 October (after the October long weekend).

POLICY/LEGAL IMPLICATIONS

The Local Government Act 1993, requires that Council must prepare and endorse an Annual Report within five months of the end of the financial year. The Draft Annual Financial Statement will be presented to the ARIC at its next meeting for 'in-principle support' to refer to the Weddin Shire Council. The Annual Report's statutory reporting requirements will need to be presented on Council's website within five months of the end of the financial year. Council will finalise the draft Annual Report to place on the website without the audited financial statements to comply with the Local Government Act 1993.

FINANCIAL/RESOURCE IMPLICATIONS

At 30 June 2024, Council had \$18.019 million in cash at bank. There is no restricted cash breach this year. Refer to earlier commentary on the external cash restrictions and internal allocations. This years the council has a very sound cash position as compared to the prior year. This demonstrates the actions completed by the staff at Weddin Shire Council in implementing the Self-Initiated Improvement Management Plan to return to a strong position.

INTERNAL/EXTERNAL CONSULTATION

The audit report is expected to be issued on or around 29 or 30th October 2024. Once the Audit Office NSW has audited the Draft Financial Statements, the Annual Financial Statements will be placed on public exhibition for a period of 28 days for the purpose of inviting submissions from the community.

CONCLUSION

The draft Annual Financial Statements for 2023-2024 period has been prepared. This paper seeks the ARIC provides it's 'in principle consent' for the draft financial statements to be referred to audit. At its earliest Council meeting in October (17 October 2024) Council will adopt the draft financial statements.

5 NEXT MEETING

25 November 2024

6 CLOSURE

The Meeting closed at **10:57am**.

The minutes of this meeting were confirmed at the Audit, Risk and Improvement Committee held on 25 November 2024.

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CHAIRPERSON