



Burwood Inc.1874
Burwood . Burwood Heights . Croydon . Croydon Park . Enfield . Strathfield

ORDINARY MEETING

LATE ITEMS

Notice is hereby given that a meeting of the Council of Burwood will be held in the Council Chamber, 2 Conder Street, Burwood on Tuesday 18 October 2022 at 6:00pm

Fab Zincone
ACTING GENERAL MANAGER

AGENDA

GENERAL BUSINESS

- (ITEM 112/22) REFERRAL OF THE ANNUAL FINANCIAL REPORTS FOR 2021-2022 TO
COUNCIL'S AUDITOR 3

**FOR AN ORDINARY MEETING OF BURWOOD COUNCIL
TO BE HELD ON 18 OCTOBER 2022 IN THE CONFERENCE ROOM, 2 CONDER STREET, BURWOOD
COMMENCING AT 6.00 PM.**

(ITEM 112/22) REFERRAL OF THE ANNUAL FINANCIAL REPORTS FOR 2021-2022 TO COUNCIL'S AUDITOR

File No: 22/40446

REPORT BY DIRECTOR CORPORATE SERVICES

Summary

Council's Financial Reports must be in accordance with the *Local Government Act 1993* (the Act) and *Local Government (General) Regulation 2005* (the Regulation), the Australian Accounting Standards, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual. This is to ensure that the Financial Reports for each year fairly present the Council's operating result and financial position for the year.

In accordance with Section 413 of the Act, Council's Annual Financial Reports must be authorised for referral to the Auditor for audit.

Operational Plan Objective

A.102 Comply with financial management responsibilities to promote transparency and accountability

Background

Sections 413, 415 and 416 of the Act require Council's Annual Financial Reports for 2021-2022 to be prepared, referred to audit and audited by 31 October 2022.

In relation to this process, Council is required to authorise the referral of the Annual Financial Reports to Council's External Auditor (NSW Audit Office).

Section 413 of the Act states that the Annual Financial Reports must be accompanied by a Statement of Council's opinion on the general purpose financial report (Attachment 1) made pursuant to a resolution of Council and signed by the:

- Mayor
- Deputy Mayor
- General Manager
- Responsible Accounting Officer (Chief Finance Officer)

The Annual Financial Reports for 2021-2022 are subject to review by the External Auditor (NSW Audit Office) before they can be finalised.

At the September Council meeting, Council endorsed the Draft Annual Financial Statements for 2021-2022 to go to audit, however during the audit the NSW Audit team brought to Council Officers' attention that:

- Operational Land should have been indexed in accordance with Section 5 of the Local Government Code of Accounting 2021-2022 "appendix E Guidance for determining fair value of infrastructure, property and equipment", where if no comprehensive revaluation is performed, an "interim management revaluation" should be undertaken when cumulative increases/decreases in indices are generally less than or equal to 10%. Based on Management's assessment (even though Council will be performing a full revaluation of this asset class during 2022-2023) the Auditors strongly recommended this asset class should be indexed accordingly. The Revaluation of this asset class of 17.6% as indicated by the NSW Land Valuer General's website trends (between 2020 to 2021) increased Council's asset class by \$21,372,000.

- An error in the way Council's Officers accounted for the write off of certain assets within the Land Improvements – Depreciable asset class during the revaluation process was brought to our attention. These assets were found to be historical and could not be quantified by our Asset Management service provider who performed the valuation process and were either no longer in existence or were assets with multiple asset types which could now have been included in the appropriate asset classes during other revaluations. The Auditors recommended that the assets in question were to be written off as a prior year correction not in the current year as was performed. The accounting treatment increased Non-current assets (Infrastructure, property, plant and equipment) in the 2021-2022 financial year by \$7,993.000 and reduced the 2020-21 and 2019-2020 restated balances by the same amount each year.

Consultation

The NSW Auditors will be concluding the audit process during the week and presenting the Draft (Restated) Annual Financial Statements for 2021-2022 to the Audit, Risk and Improvement Committee. The Committee's comments will be included as part of the report to Council for the presentation of Council's Audited Annual Financial Reports for 2021-2022.

Conclusion

The Draft (Restated) Annual Financial Reports provide a snapshot of Council's operating performance and its financial position at a point in time and their completion and presentation is a statutory requirement under the Act and the Regulation.

Recommendation(s)

That in accordance with Section 413(2)(c) of the *Local Government Act 1993* and Clause 215 of the *Local Government (General) Regulation 2005*, Council resolve the following:

1. That authority is granted to the Mayor, the Deputy Mayor, the General Manager and Responsible Accounting Officer to resign the Statements by Councillors and Management for the General Purpose Financial Reports and the Special Purpose Financial Reports for the Year Ended 30 June 2022 as the original Draft Annual Financial Reports have been substantially modified through audit.
2. That the signed statement be attached to the 2021-2022 Unaudited Annual Financial Reports and presented to Council's Auditor (NSW Audit Office) for the completion of the audit.
3. That the Auditor is invited to attend the Audit, Risk and Improvement Committee Meeting in October 2022 that will review the Annual Financial Reports and also to attend the Council Meeting that is to adopt the audited Annual Financial Reports.

Attachments

- 1 General Purpose Financial Statements, Restated
- 2 Statement by Councillors and Management_Restated

ITEM NUMBER 112/22 - ATTACHMENT 1

General Purpose Financial Statements, Restated

Burwood Council | Income Statement | for the year ended 30 June 2022

Burwood Council

Income Statement

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Restated Actual 2021
Income from continuing operations				
33,687	Rates and annual charges	B2-1	34,039	32,400
9,944	User charges and fees	B2-2	6,806	8,245
4,879	Other revenues	B2-3	4,937	5,122
2,599	Grants and contributions provided for operating purposes	B2-4	3,979	2,760
5,780	Grants and contributions provided for capital purposes	B2-4	4,352	7,768
650	Interest and investment income	B2-5	506	549
2,347	Other income	B2-6	1,695	1,743
<u>59,886</u>	Total income from continuing operations		<u>56,314</u>	<u>58,587</u>
Expenses from continuing operations				
22,922	Employee benefits and on-costs	B3-1	19,867	20,459
23,825	Materials and services	B3-2	23,722	22,188
340	Borrowing costs	B3-3	314	344
9,563	Depreciation and amortisation of intangible assets and IPP&E	B3-4	10,535	10,018
1,042	Other expenses	B3-5	1,021	1,417
–	Net loss from the disposal of assets	B4-1	1,081	1,686
<u>57,692</u>	Total expenses from continuing operations		<u>56,540</u>	<u>56,112</u>
<u>2,194</u>	Operating result from continuing operations		<u>(226)</u>	<u>2,475</u>
<u>2,194</u>	Net operating result for the year attributable to Council		<u>(226)</u>	<u>2,475</u>
<u>(3,644)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>(4,578)</u>	<u>(5,293)</u>

The above Income Statement should be read in conjunction with the accompanying notes.

ITEM NUMBER 112/22 - ATTACHMENT 1

General Purpose Financial Statements, Restated

Burwood Council | Statement of Comprehensive Income | for the year ended 30 June 2022

Burwood Council

Statement of Comprehensive Income

for the year ended 30 June 2022

<u>\$ '000</u>	<u>Notes</u>	<u>2022</u>	<u>Restated 2021</u>
Net operating result for the year – from Income Statement		(226)	2,475
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	43,590	7,714
Other comprehensive income (loss) – joint ventures and associates	D2-2	-	(15)
Total items which will not be reclassified subsequently to the operating result		43,590	7,699
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		-	15
Total items which will be reclassified subsequently to the operating result when specific conditions are met		-	15
Total other comprehensive income (loss) for the year		43,590	7,714
Total comprehensive income for the year attributable to Council		43,364	10,189

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

ITEM NUMBER 112/22 - ATTACHMENT 1

General Purpose Financial Statements, Restated

Burwood Council | Statement of Financial Position | for the year ended 30 June 2022

Burwood Council

Statement of Financial Position

as at 30 June 2022

\$ '000	Notes	2022	Restated 2021	Restated 1 July 2020
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	18,198	20,551	10,781
Investments	C1-2	27,250	27,250	47,250
Receivables	C1-4	5,329	4,175	3,461
Contract assets and contract cost assets	C1-6	645	612	539
Other	C1-11	1,025	756	680
Total current assets		52,447	53,344	62,711
Non-current assets				
Investments	C1-2	146	101	-
Infrastructure, property, plant and equipment (IPPE)	C1-8	543,469	497,554	480,818
Investment property	C1-9	4,975	4,700	4,340
Intangible assets	C1-10	295	379	330
Right of use assets	C2-1	860	1,078	1,296
Investments accounted for using the equity method	D2-2,D2-3	-	-	15
Total non-current assets		549,745	503,812	486,799
Total assets		602,192	557,156	549,510
LIABILITIES				
Current liabilities				
Payables	C3-1	8,753	10,464	11,069
Contract liabilities	C3-2	7,287	2,415	3,671
Lease liabilities	C2-1	214	212	206
Borrowings	C3-3	727	684	721
Employee benefit provisions	C3-4	5,665	7,215	6,976
Total current liabilities		22,646	20,990	22,643
Non-current liabilities				
Lease liabilities	C2-1	681	895	1,107
Borrowings	C3-3	5,076	4,802	5,487
Employee benefit provisions	C3-4	142	186	179
Total non-current liabilities		5,899	5,883	6,773
Total liabilities		28,545	26,873	29,416
Net assets		573,647	530,283	520,094
EQUITY				
Accumulated surplus	C4-1	244,603	244,829	242,354
IPPE revaluation reserve	C4-1	329,044	285,454	277,740
Council equity interest		573,647	530,283	520,094
Total equity		573,647	530,283	520,094

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

ITEM NUMBER 112/22 - ATTACHMENT 1

General Purpose Financial Statements, Restated

Burwood Council | Statement of Cash Flows | for the year ended 30 June 2022

Burwood Council

Statement of Cash Flows

for the year ended 30 June 2022

Original unaudited budget 2022	\$ '000	Notes	Actual 2022	Restated Actual 2021
Cash flows from operating activities				
<i>Receipts:</i>				
33,694	Rates and annual charges		33,604	32,180
8,578	User charges and fees		6,689	8,563
640	Interest received		486	678
8,931	Grants and contributions		13,171	9,167
1,500	Bonds, deposits and retentions received		1,025	1,282
7,160	Other		9,262	9,602
<i>Payments:</i>				
(22,874)	Payments to employees		(21,463)	(21,332)
(22,753)	Payments for materials and services		(26,895)	(26,853)
(3,410)	Borrowing costs		(315)	(344)
(1,000)	Bonds, deposits and retentions refunded		(978)	(808)
(1,750)	Other		(1,060)	(1,815)
8,716	Net cash flows from operating activities	G1-1	13,526	10,320
Cash flows from investing activities				
<i>Receipts:</i>				
25,000	Sale of investments		25,000	43,000
550	Proceeds from sale of IPPE		411	200
<i>Payments:</i>				
(25,000)	Purchase of investments		(25,000)	(23,000)
(11,905)	Payments for IPPE		(16,307)	(19,627)
–	Purchase of intangible assets		(88)	(195)
(11,355)	Net cash flows from investing activities		(15,984)	378
Cash flows from financing activities				
<i>Receipts:</i>				
1,000	Proceeds from borrowings		1,000	–
<i>Payments:</i>				
(726)	Repayment of borrowings		(683)	(722)
(206)	Principal component of lease payments		(212)	(206)
68	Net cash flows from financing activities		105	(928)
(2,571)	Net change in cash and cash equivalents		(2,353)	9,770
22,000	Cash and cash equivalents at beginning of year		20,551	10,781
19,429	Cash and cash equivalents at end of year	C1-1	18,198	20,551
25,998	plus: Investments on hand at end of year	C1-2	27,396	27,351
45,427	Total cash, cash equivalents and investments		45,594	47,902

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Burwood Council

General Purpose Financial Statements

for the year ended 30 June 2022

Statement by Councillors and Management

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

To the best of our knowledge and belief, these statements:

- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 18 October 2022

John Faker
Mayor
18 October 2022

George Mannah
Deputy Mayor
18 October 2022

Fab Zincone
Acting General Manager
18 October 2022

Wayne Armitage
Responsible Accounting Officer
18 October 2022