

GO2 – Annual Financial Statements for the Year Ended 30 June 2016

GO2

Annual Financial Statements for the Year Ended 30 June 2016

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EXECUTIVE SUMMARY

- Council officers have prepared the Annual Financial Statements for the year ended 30 June 2016.
- The statements have been reviewed by Council's auditors (Warton Thompson & Co) and were presented to the Audit Committee on 28 September 2016 and Council's Community Forum on 10 October 2016.
- The statements are now presented to Council for endorsement and the signing of the "Statement by Councillors and Management" (as attached).
- It is recommended that the 2015/16 Annual Financial Statements be endorsed and an opinion be formed in the prescribed format on the General Purpose Financial Reports and the audited financial reports, together with the Auditor's reports, be presented to the public at the 21 November 2016 Council meeting.

REPORT

The Local Government Act 1993 requires Council to prepare financial reports for each year and refer them for audit as soon as practicable after the end of that year.

A Council's financial reports must include:

- a general purpose financial report;
- any other matter prescribed by the regulations; and
- a statement in the approved form by the Council as to its opinion on the general purpose financial report.

The Annual Financial Statements are required to be prepared in accordance with the Local Government Act 1993, the Local Government Code of Accounting Practice and Financial Reporting, and the Australian Accounting Standards, including the Australian equivalents to International Financial Reporting Standards (AIFRS).

The legislative requirements under the Local Government Act 1993, relevant to the approval and audit process of annual financial statements are as follows:

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Section 413(1) - A council must prepare financial reports for each year, and must refer them for audit as soon as practicable.

Section 413(2) - A council's financial reports must include:

- (a) a general purpose financial report, and
- (b) any other matter 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.

Section 415(1) - Council's auditor must audit financial reports as soon as practicable after receipt.

Section 416(1) - Council's financial reports must be completed and audited within 4 months after year end.

Section 417(1) - A council's auditor must prepare 2 reports:

- a report on the general purpose financial report,
- a report on the conduct of the audit.

Section 417(2) - The report on the council's financial reports must include the following:

- (a) a statement as to whether, in the opinion of the auditor, the council's accounting records have been kept in accordance with the requirements of this Division,
- (b) a statement as to whether, in the opinion of the auditor, the council's financial reports:
 - (i) have been prepared in accordance with the requirements of this Division, and
 - (ii) are consistent with the council's accounting records, and
 - (iii) present fairly the council's financial position and the results of its operations,
- (c) a statement as to whether, in the opinion of the auditor, any information relevant to the conduct of the audit has been unobtainable by the auditor,
- (d) a statement setting out particulars of any material deficiency in the accounting records or financial reports that has come to light in the course of the audit.

Section 417(3) - The report on the conduct of the audit may contain such statements, comments and recommendations as to the conduct of the audit of the council's financial reports as the auditor considers appropriate to include in the report.

Section 417(4) - As soon as practicable after completing the audit, the auditor must send a copy of the auditor's reports to the Director-General and to the council.

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Section 417(5) - As soon as practicable after receiving the auditor's reports, the council must send a copy of the auditor's report on the council's financial reports, together with a copy of the council's audited financial reports, to the Director-General and to the Australian Bureau of Statistics.

Council's Auditors, Warton Thompson & Co, have completed their audit of the financial reports and those financial reports are now formally presented.

Section 413 of the Local Government Act 1993 requires the Council to form an opinion as to whether Council's annual financial reports have been drawn up in accordance with the Local Government Act and associated Codes and Australian Accounting Standards as prescribed by the Regulations. Statements to this effect have been prepared and are presented to Council for signature. Subsequent to these opinions being signed, Council's Auditors will present their audit reports to Council.

Section 418 of the Local Government Act 1993 (as amended) requires that Council, as soon as practical after receiving a copy of the Auditor's reports, fix a date for a meeting at which it proposes to present its audited financial reports, together with the Auditor's reports to the public. The Council must also give public notice of the date so fixed.

It is proposed that the 21 November 2016 Council meeting be set as the date to present the audited financial statements to the public.

Section 420 of the Local Government Act 1993 provides that any person may make submissions to the Council with respect to the financial reports or the Auditor's reports and those submissions must be made in writing and lodged with the Council within seven (7) days of the public meeting.

CONSULTATION

All members of the Executive and Senior Management have had input into the production of the General Purpose Financial Report, in conjunction with Council's Auditors.

The Audit Manager and staff of Warton Thompson & Co have been consulted throughout the preparation of the annual financial reports.

FINANCIAL IMPLICATIONS

Council is now presented with a set of annual financial reports that have been prepared in accordance with the Local Government Act 1993, Australian Accounting Standards and other professional pronouncements and the Code of Accounting Practice and Financial Reporting. The annual financial reports show Council to be in a sound and stable financial position.

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Key points to note in the 2015/16 financial statements are as follows:

Operational Performance

Council has recorded a favourable result for the 2015/16 financial year, achieving a Net Operating Surplus from Continuing Operations of \$13.88m, compared to the prior year's surplus of \$7.47m. The result is primarily attributable to the \$11.47m of contributed assets recognised during the year.

Council managed to increase its internally restricted cash by \$1.1m and externally restricted cash by \$2.3m. Unrestricted cash increased by \$1.1m.

For further information on Council's performance, Note 13 provides results on various key performance indicators.

Material variations from the 2015/16 Adopted Budget for both income and expenditure items are detailed in Note 16 of the financial statements.

Infrastructure Revaluations

The Office of Local Government (OLG) requires Councils to undertake the revaluation of asset at least every five years. When an asset is revalued its entire class is to be revalued. The OLG has prescribed a timetable for Councils to follow when revaluing each class of assets. Accordingly, Council revalued its Community Land and Open Space/Recreational Assets as at 30 June 2016. This revaluation resulted in a net increase in the value of Community Land of \$22.6m and Open Space/Recreational Assets of \$20.4m.

Impairment of Assets

A major storm event on 5 June 2016 caused widespread damage across a number of areas within the Shire. Three of Council's bridge assets (Broughton Pass, Blaxland's Crossing and Rockford Bridge) were damaged, resulting in impairment losses of \$229,076 being recorded against the written down value of these assets. Hume Oval Tennis Courts were also totally damaged and required an impairment loss of \$176,103 to be booked against the Revaluation Reserve for that class of asset.

Contributed Infrastructure Assets

Council recognised \$11.47m of contributed assets during the year, comprising various infrastructure assets dedicated to Council following recent land developments. The value of these dedicated assets adds to the value of Council's net assets in Note 9 and also inflates Council's contribution income in Note 3f. This has the effect of improving the 2015/16 operating result, but increases future years depreciation expenses.

Employee Leave Entitlements

The provision for employee leave entitlements increased over the last year by \$898K from \$5.61m to \$6.51m. This increase is primarily attributable to the effect falling interest rates have had on the net present value calculation of future long service leave liabilities.

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ATTACHMENTS

1. 2015/16 Annual Financial Statements (provided under separate cover)
2. Statement by Councillors and Management on the General Purpose Financial Report

RECOMMENDATION

1. That the Annual Financial Statements for the year ended 30 June 2016 be endorsed and an opinion be formed in the prescribed format (as attached) on the General Purpose Financial Reports.
2. That the audited financial reports, together with the Auditor's reports, be presented to the public at the 21 November 2016 Council meeting.

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ATTACHMENT 2 – 234 – 17 OCTOBER 2016

Wollondilly Shire Council

General Purpose Financial Statements
for the year ended 30 June 2016

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 financial statements:

- present fairly the Council's operating result and financial position for the year, and
- 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 24 October 2016.

Mayor

Councillor

L Johnson
General manager

A Christie
Responsible accounting officer