

ADDITIONAL ITEM

12 October 2011
To the Ordinary Meeting

Director's Report
Corporate Services Department

5.8 2010-11 Annual Financial Reports

TRIM REFERENCE: F2011/00023 - D02796258

MANAGER: David Jack, Director Corporate Services

AUTHOR: Cate Trivers; Chief Financial Officer

SUMMARY

Council is required to prepare, submit to audit, adopt and present to the community (and Government) a set of financial reports in accordance with relevant legislation.

The process by which this occurs is dictated by the legislation and the next steps are detailed below. Council is required to formally resolve the necessary actions.

RECOMMENDATION

- 1 That Council adopt the draft Wyong Shire Council financial statements for 2010/11 as presented.**
- 2 That Council refer the draft Wyong Shire Council financial statements for 2010/11 (as presented) to external audit.**
- 4 That Council authorise the Mayor, Deputy Mayor, General Manager and Responsible Accounting Officer to execute all documents related to the draft 2010/11 financial reports as required by legislation.**
- 5 That Council fix 26 October 2011 as the date for the presentation of the audited 2010/11 financial statements and external audit report in accordance with section 419(1) of the Local Government Act 1993.**

BACKGROUND

In accordance with Section 413(1) of the Local Government Act 1993 (LGA) Council must prepare financial reports for each year, and must refer them for audit as soon as practicable after the end of that year.

On 5 October 2011, the Governance Committee reviewed Council's 2010/11 Annual Financial Statements and resolved to recommend to Council that Council consider the adoption of the following resolutions in respect of the General, Special and Water Supply Authority Accounts:

- "1 In reviewing the Council's accounts, the Governance Committee has noted that there are a number of presentation items, including Note 17, to be agreed with the External Auditor, and also that these accounts show a difficult financial position. Assuming these matters are resolved; the Governance Committee's recommendation is:*

- 1.1 *That the Committee recommend that Council consider adopting the following resolutions in respect of the amended General, Special and Water Supply Authority Accounts:*
- 1.1.1 *That Council adopt the draft Wyong Shire Council financial statements for 2010/11.*
- 1.1.2 *That Council refer the draft Wyong Shire Council financial statements for 2010/11 to external audit.*
- 1.1.3 *That Council authorise the Mayor, Deputy Mayor, General Manager and Responsible Accounting Officer to execute all documents related to the draft 2010/11 financial reports as required by legislation.*
- 1.1.4 *That Council fix 26 October 2011 as the date for the presentation of the audited 2010/2011 financial statements and external audit report in accordance with section 419(1) of the Local Government Act 1993.*
- 1.1.5 *That Council note that whilst there has been an improvement in the financial situation there are still significant financial risks in relation to assets and revenue.*
- 1.1.6 *That Council congratulate staff for their significant contribution towards the improved financial position.*
- 1.1.7 *That Council request management to continue to advise and recommend strategies to improve the financial position of Wyong Council.*
- 1.1.8 *That Council recognise that further work is required to achieve the long term financial goal of a break even operating result 2014-2015.”*

THE PROPOSAL

It is proposed that Council consider and accept the recommendation of the Governance Committee to formally adopt the end-of year draft accounts for final audit opinion. With the amendments as per the Attachment 1 – 2010/11 Annual Financial Statements – Amendments per Governance Committee Meeting 5 October 2011.

The amendments proposed do not alter the financial position or performance reported to the Governance Committee, and the most significant change was the correction to Note 17 Statement of Developer Contributions and Note 13(a) and (b) Unrestricted Current Ratio. Note 17 was updated to reflect the potential under-funding of the development contribution plans for Warnervale, which are currently being reviewed. This under-funding is in part due to the State Government cap on green-field contributions of \$30,000 per lot and other changes in cost estimates since the plans development. A correction to Note 13 Unrestricted ratio calculation due to exclusion of all Water and Sewer related restrictions. Major changes to the Annual Financial Statements are itemised below.

General Purpose Financial Reports

Section 413(2) (c) of the Local Government Act (LGA) requires Council to prepare a statement in the approved form as to its opinion on those financial reports.

Council's Responsible Accounting Officer and the General Manager certify that the 2010-11 General Purpose Financial Reports have been prepared in accordance with the LGA 1993, the Local Government (General) Regulation 2005, Australian Accounting Standards and professional pronouncements and the Local Government Code of Accounting Practice and Financial Reporting.

A statement in the approved form is included as Attachment 1

Special Purpose Financial Reports

The Local Government Code of Accounting Practice and Financial Reporting requires Council to make a statement as to its opinion on Council's Special Purpose Financial Reports.

Council's Responsible Accounting Officer, and the General Manager certify that the 2010-11 Special Purpose Financial Reports have been prepared in accordance with the NSW Government Policy Statement "*Application of National Competition Policy to Local Government*", the Division of Local Government Guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*", the Local Government Code of Accounting Practice and Financial Reporting and the NSW Office of Water, Department of Environment, Climate Change and Water Guidelines.

A statement in the approved form is included as Attachment 2.

Wyong Shire Council Water Supply Authority Reports

In addition to the General Purpose and the Special Purpose Reports a separate set of financial reports as required by the Public Finance and Audit Act 1983 have been prepared for the Wyong Shire Council Water Supply Authority. The Public Finance and Audit Act requires Council to make a statement as to their opinion on the Financial Report.

Council's Responsible Accounting Officer and the General Manager certify that the financial reports have been drawn up in accordance with the provisions of the Public Finance and Audit Act 1983, applicable Australian Accounting Standards, the requirements of the Water Management Act 2000 and other mandatory professional reporting requirements.

A statement in the approved form is included as Attachment 3.

Completion of Audit

The above mentioned statements form part of the General Purpose, Special Purpose and Water Supply Authority financial reports and they are required to be made prior to the completion of the audit of those financial reports. The 2010-11 Financial Reports are presented to Council in draft form at this stage and are required to be audited in accordance with Sections 416 and 417 of the LGA 1993.

The Draft 2010-11 Financial Reports were considered by Council's Governance Committee on 5 October 2011. Minor amendments were agreed with the Chief Financial Officer, the Responsible Accounting Officer and the General Manager.

The following amendments have been made to the Draft Statements, distributed under separate cover as Enclosure 1 & 2:

Consolidated Financial Statements:

- Page 18 - Note 2(a) Functions – 2010 comparatives corrected to agree to prior year financial statements.
- Page 47 - Note 17 Developer Contributions – correction to include Section 64 totals, and disclosure to reflect the potential under / over funding of the developer contributions plan. The Warnervale Section 94 plan is underfunded by an estimated \$25.3m, due to cap on developer contributions and revised estimates of infrastructure costs and is under review by Council.
- Page 40-41 - Note 13(a) and (b) Performance Ratios – correction to Unrestricted Current Ratio, still within benchmark however corrected to exclude all water and sewer restrictions.
- Page 32 - Note 9 Infrastructure Property Plant and Equipment – correct allocations between transfers and adjustments.
- Page 71 - Special Purposes Financial Reports – ratios for return on capital format update to show percentages.

Water Authority Accounts

- Page 18 - Note 2(f) Revenue updated to show the Dedications separately from Contributed assets.
- Page 21 - Note 4 Gain or loss on disposal of assets updated for correct financial instrument movements, and corrected allocations
- Page 26 - Note 8 Infrastructure Property Plant and Equipment corrected between transfers and adjustments.

Once the Annual Statements have been referred to audit and the formal audit reports received, the Audited Reports will subsequently be presented to the Council meeting on 26 October 2011, in accordance with Section 419 of the LGA 1993.

CONCLUSION

The accounts represent Council's formal financial performance and position for 2010-11.

Presenting final year-end accounts is a statutory requirement.

Council must adopt the draft accounts before the External Auditor will provide their formal opinion for inclusion in Council's Annual Report.

ATTACHMENTS

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|---|--|-----------|
| 1 | A1 - WSC Annual Financial Statements - Stmt's by Crs Mgmt
2010-11 | D02797689 |
| 2 | A2 - WSC Annual Financial Statements - Special Purposes
2010-11 | D02797690 |
| 3 | A3 - WSC Financial Report WSC Water Supply Authority 2010-
11 | D02797694 |
| 4 | Wyong Shire Council Financial Reports 2010/11 (distributed
under separate cover) | Enclosure |
| 5 | Wyong Shire Council Water Supply Authority Financial Reports
2010-11 (distributed under separate cover) | Enclosure |

Wyong Shire Council

General Purpose Financial Statements for the year ended 30 June 2011

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

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

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

To the best of our knowledge and belief, these Statements;

- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 12 October 2011.

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Robert Graham
Mayor

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Sue Wynn
Deputy Mayor

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Michael Whittaker
General Manager

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David Jack
Responsible Accounting Officer

Wyong Shire Council

Special Purpose Financial Statements for the year ended 30 June 2011

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- NSW Government Policy Statement “*Application of National Competition Policy to Local Government*”.
- Division of Local Government guidelines “*Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality*”.
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water and Office of Environment and Heritage Guidelines.

To the best of our knowledge and belief, these Reports

- present fairly the operating result and financial position for each of Council’s declared Business Activities for the year, and
- accord with Council’s accounting and other records.

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

Signed in accordance with a resolution of Council made on 12 October 2011:

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Robert Graham
Mayor

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Sue Wynn
Deputy Mayor

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Michael Whittaker
General Manager

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David Jack
Responsible Accounting Officer

Wyong Shire Council Water Supply Authority

Financial Report for the year ended 30 June 2011

Statement by Councillors and Management made pursuant to section 41c (1b) and (1c) of the Public Finance and Audit Act 1983

Pursuant to Section 41C (1B) and 1(C) of the Public Finance and Audit Act 1983 we state that:

- 1 The financial report presents a true and fair view of the financial position of the Wyong Shire Council Water Supply Authority as at 30 June 2011 and its performance, as represented by the results of its operations and its cash flows for the year ended on that date.
- 2 The financial report has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations), the *Public Finance and Audit Act 1983* and the *Public Finance and Audit Regulation 2010*.
- 3 We are not aware of any circumstances at the date of this statement that would render any particulars included in the financial report to be misleading or inaccurate.

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Robert Graham
Mayor

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Sue Wynn
Deputy Mayor

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Michael Whittaker
General Manager

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David Jack
Responsible Accounting Officer