



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the General Purpose Financial Statements**  
**Georges River Council**

To the Councillors of Georges River Council

## Opinion

I have audited the accompanying financial statements of Georges River Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a Basis of preparation and other explanatory notes.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

## Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprises the Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

### **The Councillors' Responsibilities for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

## Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

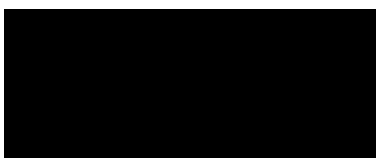
Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

6 November 2020  
SYDNEY

Cr Kevin Greene  
 Mayor  
 Georges River Council  
 Cnr MacMahon and Dora Streets  
 HURTSVILLE NSW 2020

Contact: Dominika Ryan  
 Phone no: [REDACTED]  
 Our ref: D1922075/1728

6 November 2020

Dear Mayor

**Report on the Conduct of the Audit  
 for the year ended 30 June 2020  
 Georges River Council**





I have audited the general purpose financial statements (GPFS) of the Georges River Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

**INCOME STATEMENT**

**Operating result**

	<b>2020</b>	<b>2019</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
Rates and annual charges revenue	96.8	93.8	 3.2
Grants and contributions revenue	36.7	46.4	 20.9
Operating result from continuing operations	14.7	33.0	 55.5
Net operating result before capital grants and contributions	(9.5)	(3.3)	 187.9

The Council's operating result from continuing operations of \$14.7 million (including depreciation and amortisation expense of \$22.8 million) was \$18.3 million lower than the 2018–19 result. This was as a result of significant decrease in total revenue of \$10.5 million (6.1 per cent), while total expenses increased by \$7.8 million (5.5 per cent).

The net operating result before capital grants and contributions (\$9.5 million) was \$6.2 million lower than the 2018–19 result.

Rates and annual charges revenue (\$96.8 million) increased by \$3 million (3.2 per cent) in 2019–20. This was due to the IPART annual rate increase of 2.7 per cent and an increase in rateable properties.

Grants and contributions revenue (\$36.7 million) decreased by \$9.7 million (20.9 per cent) in 2019–20, largely due to:

- receipt of significant developer constructed assets in 2018-19 (\$8 million related to a car park)
- section 7.4 income decreasing by \$6.7 million largely due to the Council receiving fewer developer contributions in 2019-20.

This was offset by an increase in section 7.11 income of \$4.1 million, largely due to an increase in the number of larger developments being approved and construction commencing in the Hurstville City Centre area and Kogarah North precincts. The Council also received an additional funding of \$2 million from the NSW Government to undertake the Gannons Park Water Quality Improvement and Stormwater Harvesting project in 2019-20.

## STATEMENT OF CASH FLOWS

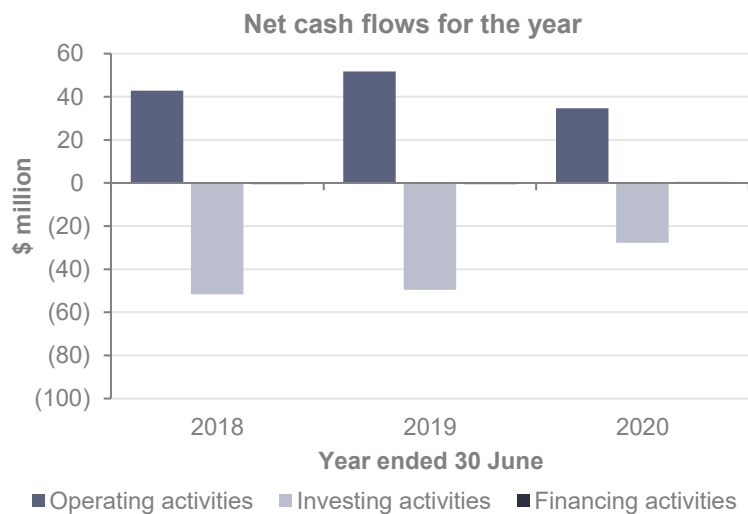
The Statement of Cash Flows Illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

Net cash flows from financing activities are below \$1m for all three years presented and as such do not appear on the graph.

The Council's cash increased by \$6.4 million, from \$18.2 million to \$24.6 million in 2018-2019 and 2019-2020 respectively.

Cash inflows from operating activities decreased from \$51.7 million in 2018-19 to \$34.6 million in 2019-20 primarily due to the lower receipts from grants and contributions in 2019-2020, which decreased by approximately \$16 million.

The decrease in cash outflows from investing activities is \$21.7 million, from \$49.5 million in 2018-19 to \$27.8 million in 2019-20. This is primarily due to the lower spending on the infrastructure, property, plant and equipment, as well as the purchase and sale of investment securities during the year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	102.0	104.1	External restrictions include unspent specific purpose grants, developer contributions, domestic waste management charges, levies and planning agreements.
Internal restrictions	43.1	60.9	
Unrestricted	0.03	1.8	
<b>Cash and investments</b>	<b>145.2</b>	<b>166.7</b>	Balances are internally restricted due to Council policy or decisions for forward plans including works programs. Unrestricted balances provide liquidity for day-to-day operations. External restrictions have decreased mainly due to Voluntary Planning Agreements decreasing by \$1.2 million.

## PERFORMANCE

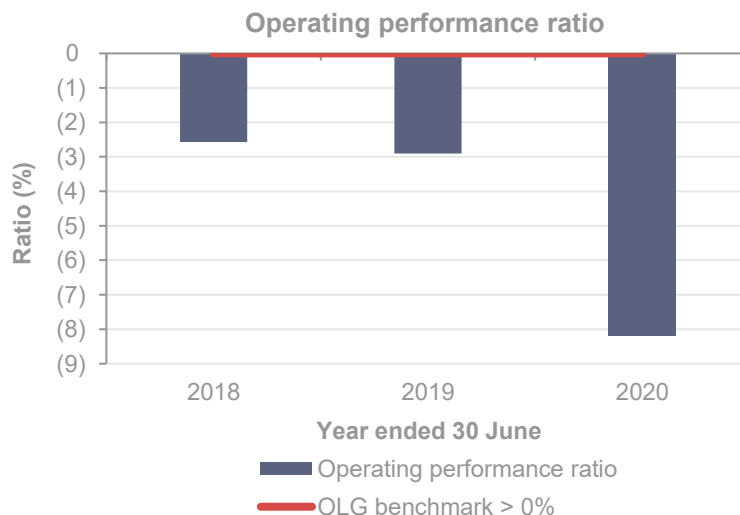
### Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

### Operating performance ratio

The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.

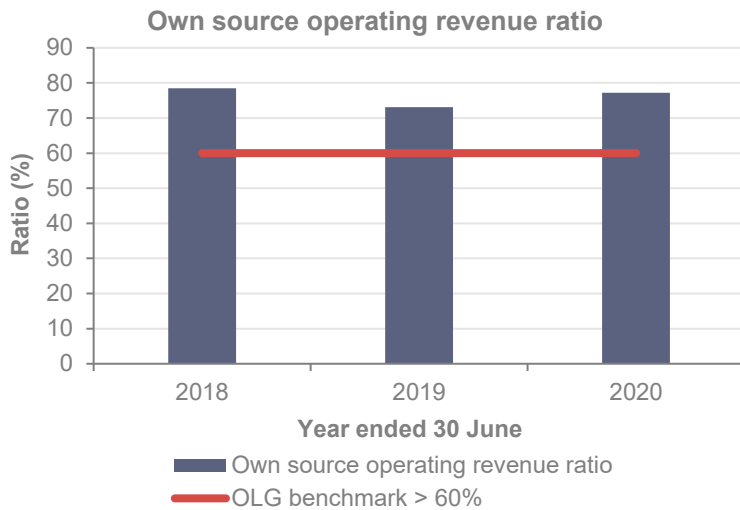
The Council did not meet the OLG benchmark for the current reporting period. The Council did not generate sufficient Operating Income (excluding capital grants) to cover its operating expenditure. The ratio in 2019-20 has deteriorated due to the impact that COVID-19 resulting in loss of income from events, rent and the leisure centre. There was also a decrease in investment income as interest rates continued to decrease during the year.



### Own source operating revenue ratio

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

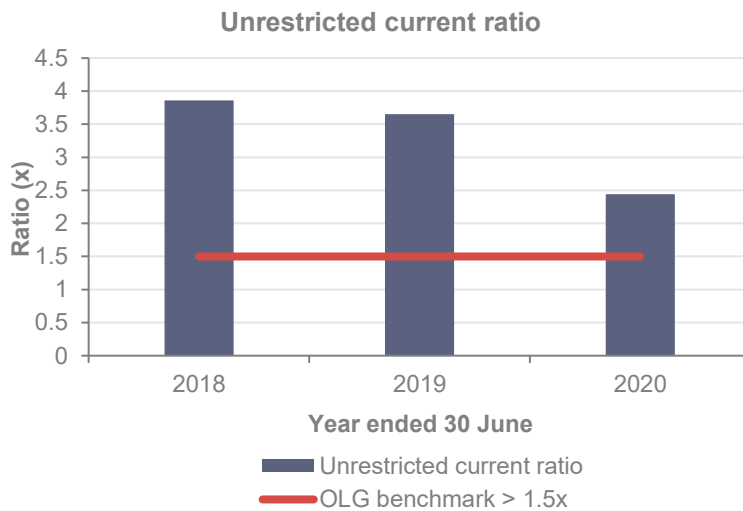
The Council's own source operating ratio of 77 per cent for the current reporting period exceeded the OLG benchmark and has improved from last year.



### Unrestricted current ratio

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

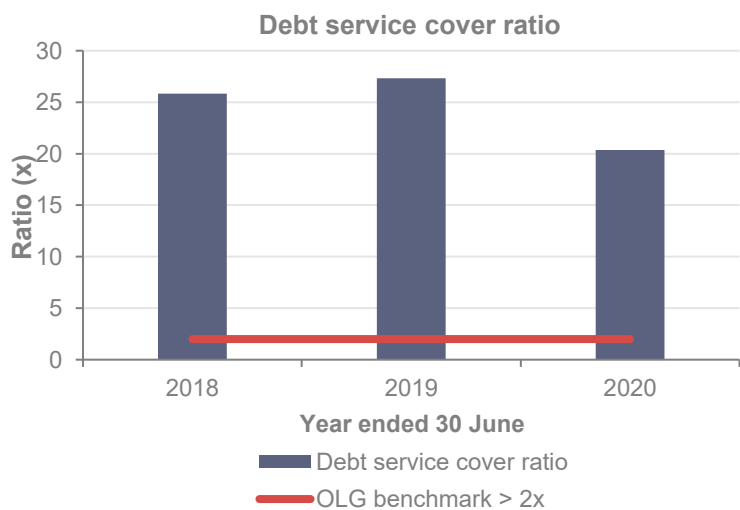
Despite the decline in the ratio due to increased funding required in the current year to meet capital works program and operations, the Council exceeded the OLG benchmark for the current reporting period.



### Debt service cover ratio

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.

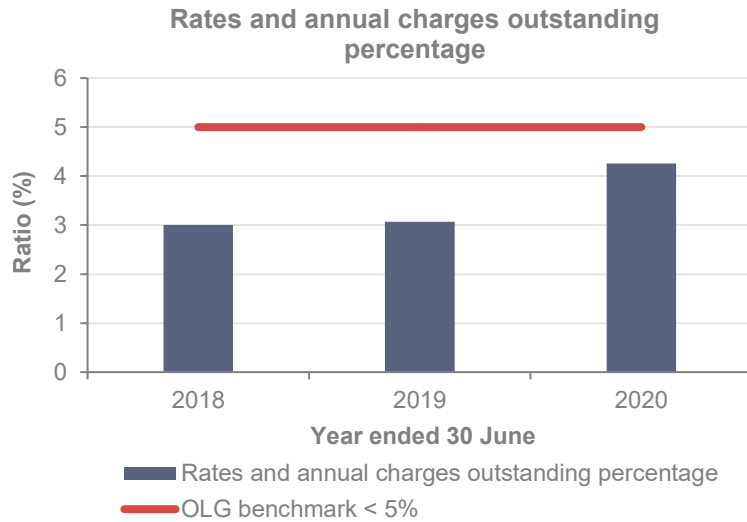
The Council exceeded the OLG benchmark for the current reporting period.



## Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.

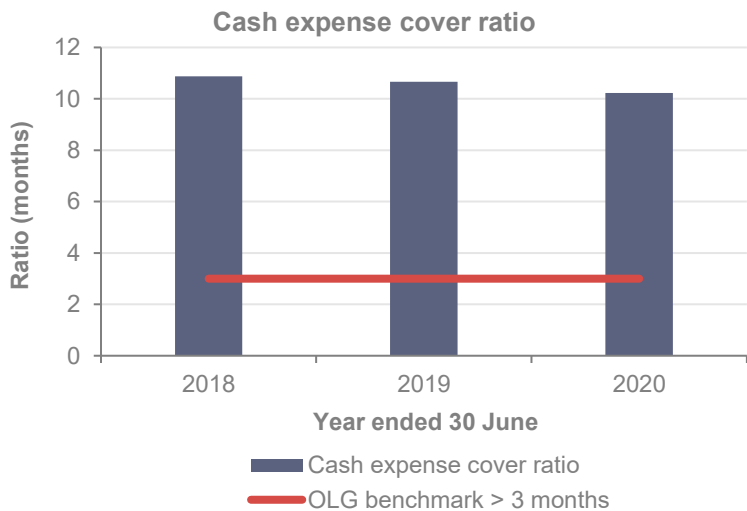
The Council met the OLG benchmark for the current reporting period. Council's performance is within industry benchmark of less than 5 percent.



## Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

The Council exceeded the OLG benchmark for the current reporting period.



## OTHER MATTERS

### Impact of new accounting standards

#### AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.



AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$9.7 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

### **AASB 16 'Leases'**

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

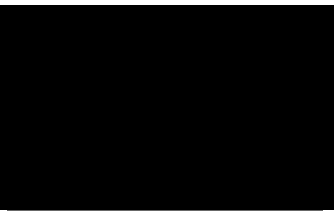
The Council recognised right-of-use assets of \$62,000 and lease liabilities of \$62,000 at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 17

### **Legislative compliance**

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Dominika Ryan  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ms Gail Connolly, General Manager  
Mr John Gordon, Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment