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Chief Executive Officer
City of Parramatta Council
PO BOX 32
PARRAMATTA NSW 2121

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Our ref: [R008-16585809-45928](#)

XX October 2023

Dear Ms Connolly

**Engagement Closing Report
for the year ended 30 June 2023
City of Parramatta Council**

We have audited the City of Parramatta Council's (the Council):

- general purpose financial statements (GPFS)
- special purpose financial statements (SPFS) for the:
 - Council's Declared Business Activities
 - Special Schedule 'Permissible income for general rates' (the Schedule).

Attached is the Engagement Closing Report, which details findings relevant to you in your role as one of those charged with governance. This report gives the Chief Executive Officer, the Lord Mayor and the Audit, Risk and Improvement Committee the opportunity to assess the audit findings, before the representation letter and the Statements by Council and Management, required for the GPFS and SPFS under section 413(2)(c) of the *Local Government Act 1993* (the LG Act), are signed.

I consider this report to fall within the definition of 'excluded information' contained in Schedule 2(2) of the *Government Information (Public Access) Act 2009*. It may not be distributed to persons other than Management and those you determine to be charged with governance of the Council.

If you need more information about the audit, please contact me on 02 9275 7111 or Ali Amjad on 02 9275 7273.

Yours sincerely

Nirupama Mani
Director, Financial Audit

cc: Cr Pierre Esber, Lord Mayor
Dr Col Gellatly, Chair of the Audit, Risk and Improvement Committee
Mr John Angilley, Executive Director, Finance and Information

Engagement Closing Report

for the year ended 30 June 2023

City of Parramatta Council

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1. INTRODUCTION

We have audited the City of Parramatta Council (the Council's):




- general purpose financial statements (GPFS)
- special purpose financial statements (SPFS) for the:
 - Council's Declared Business Activities
 - Special Schedule 'Permissible income for general rates' (the Schedule).







This report informs the Chief Executive Officer, Lord Mayor and the Audit, Risk and Improvement Committee of audit findings relevant to their responsibilities and oversight of the Council's financial statements. We will inform you if significant new matters are found while finalising the audit.

An audit is designed to obtain reasonable assurance the financial statements are free from material misstatement. It is not designed to identify all matters of governance interest, nor is it conducted to express an opinion on the effectiveness of internal control. Matters of governance interest identified during the audit are included in this report.

2. AUDIT OVERVIEW

The table below provides an overview of findings identified during the audit of the Council.

Impact assessment		
	High	Matters identified which had a high impact on the financial statements and/or audit.
	Moderate	Matters identified which had a moderate impact on the financial statements and/or audit.
	Low	No matters or matters identified which had a low impact on the financial statements and/or audit.

Section	Outcome	Impact	Reference
Audit outcome:			
GPFS	Unqualified opinion	 Low	3.1
SPFS for Council's Declared Business Activities	Unqualified opinion	 Low	3.1
Special Schedule 'Permissible income for general rates'	Unqualified opinion	 Low	3.1
Response to key issues and audit risks	Matters addressed	 Moderate	4.1
Misstatements	Select response	 Moderate	4.2
Compliance with legislative requirements	Select response	 Low	4.3

3. AUDIT OUTCOME AND REPORTS

3.1 Audit outcome

We are likely to express an unmodified opinion on the GPFS, the SPFS for Declared Business Activities and the Schedule subject to receipt and completion of the outstanding items below.

The Independent Auditor's Report for the SPFS engagement and Schedule will advise users the SPFS engagement and Schedule have been prepared in accordance with a special purpose framework to fulfil the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting 2022–23 (LG Code). As a result, the SPFS engagement and Schedule may not be suitable for another purpose.

The Independent Auditor's Reports will be signed after the outstanding matters listed below are completed and the signed financial statements and management representation letters are received.

The following matters are outstanding at the date of this report:

Item	Action required	Responsibility
Finalisation of audit testing	<p>The audit team's review of the following areas is in progress:</p> <ul style="list-style-type: none"> • rates and annual charges • IPPE • Grants and contributions • journals samples • employee related expenses • notes testing. <p>Detailed list of outstanding items has been shared with the finance team. The audit team will work with the finance team to close these matters. Any issues identified from the work will be raised with management.</p>	Management and audit team
Bank confirmations	The bank confirmation at 30 June 2023 for Macquarie Bank is outstanding.	Management and audit team
Outstanding KMP confirmation	Management to provide the outstanding KMP confirmation.	Management
Roads to Recovery and the Local Roads and Community Infrastructure Program	The work for the acquittal audits is in progress. If there are any misstatements/matters identified, these will be brought to the attention of management.	Management and audit team
Special Schedule 'Permissible income for general rates'	Management to provide the Signed Statement of Compliance.	Management
Final version of the financial statements	Review final changes to the financial statements	Management and audit team
Statement by the Councillors and Management	Statement by the Councillors and Management to be signed on adoption/approval of the financial statements.	Councillors and Management
Subsequent events update (including outcome of Land and Environment Court for Horwood Place)	Review and assess impact of significant transactions and events up to the date the financial statements are signed.	Management and audit team
Management Representation Letter	Management to sign the representation letter on same date as the Statement by the Councillors and Management.	Councillors and Management

Finalisation of testing and quality review	The audit team's testing, quality review procedures and audit file finalisation will continue until the date of signing.	Audit team
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Promptly resolving these matters will avoid delays in issuing the Independent Auditor's Reports.

'Other Information' section

The Council's annual report will include information in addition to the financial statements and Independent Auditor's Report. For the purposes of our audit this is considered 'other information'. Auditing Standards require us to consider whether the other information is materially consistent with the financial statements and the knowledge we obtained during the audit. Where matters are identified, we are required to disclose them in the Independent Auditor's Report.

3.2 Report on the Conduct of the Audit

We will issue the Report on the Conduct of the Audit required by section 417(3) of the *Local Government Act 1993* at the same time as the Independent Auditor's Reports. The Report on the Conduct of the Audit will incorporate comments we consider appropriate, based on the audit of the Council's financial statements.

We plan on reporting a significant audit issue and observation assessed as a high risk management letter point in the Report on the Conduct of the Audit related to the review of privileged user activities (partial repeat issue).

3.3 Auditor-General's Report to Parliament


The 2023 Auditor-General's Report to Parliament will incorporate the results of the audit.

3.4 Management Letter

We issue Management Letters detailing matters of governance interest identified during the audit.

A Management Letter will be sent to you during November 2023. The Management Letter will be issued once formal management responses have been received.

The following audit finding assessed as high risk will be reported in the Management Letter.

Risk assessment*	Issue	Draft management response
 High	<p>No review of privileged user activities (Partial Repeat)</p> <ul style="list-style-type: none"> There is no review of privileged user activities over key business applications including TechOne, Pathway and Chris21 systems at the Council since 2017-18. The Council has made improvements since the issue was first raised and audit logs/trails were enabled in the three systems. A new privileged user access and controls procedure is documented and since November 2022, a monthly review of users with privileged access in TechOne, Chris21 and AD system accounts is performed. However, there is still no regular review of these logs for any inappropriate privileged user activities. There is a risk of inappropriate activities occurring which may go undetected. The lack of independent and regular review of account access and system activities of superuser/ high privilege accounts increases the risk of unauthorised activity occurring and remaining undetected. 	<p>[Insert Comments]</p>

* Refer to the Management Letter for the definitions of the risk assessments.

4. AUDIT FINDINGS

4.1 Response to key issues and audit risks

The Annual Engagement Plan sent on 30 March 2023, identified key issues affecting the Council and how the audit team planned to respond to them. The results of the audit work are detailed below.

Issue or risk	Audit outcome
Revaluation of infrastructure, property, plant and equipment (IPPE)	
<p>In 2022-23, the footpaths asset class will be subject to a comprehensive revaluation. Management has appointed external valuers to perform the condition assessment and valuation of the asset class.</p> <p>The carrying value of footpaths at 30 June 2022 was \$177.6 million and was last comprehensively valued at 30 June 2018.</p> <p>We were advised by management that the comprehensive valuation of the open space/recreation asset class which was due to be assessed in 2022-23 has been delayed and valuation results may not be provided by 30 June 2022. The carrying value at 30 June 2022 was \$54.8 million.</p>	<p>Overview</p> <p><i>Footpaths</i></p> <p>The independent valuer engaged by management performed a comprehensive valuation of footpaths at 30 June 2023. This was supported by another external firm conducting a condition assessment of the asset class. The last comprehensive valuation was performed in 2017-18.</p> <p>At 30 June 2023, the Council's financial statements reported \$156.7 million as footpath assets. The valuer concluded an overall decrease of \$22.9 million from the valuation exercise. The main driver for the decrement in footpaths is due to the increase in accumulated depreciation as a result of lower useful lives from the review undertaken in the comprehensive revaluation. The closing balance of footpaths includes a decrement of \$19.4 million to the asset revaluation reserve. Since all the reserves were exhausted, the remaining decrease of \$3.5 million was recorded as an expense (note 'B3-4 Depreciation, amortisation and impairment of non-financial assets').</p> <p><i>Open space/recreation assets</i></p> <p>The Council was not able to complete the comprehensive valuation of the open space/recreation assets by 30 June 2023. The last comprehensive valuation was performed in 2017-18. AASB 116 'Property Plant and Equipment' states that assets should be revalued every three to five years, unless there has been a material difference between the carrying value and fair value.</p> <p>Alternatively, at 30 June 2023, the Council assessed whether there was any indication that the carrying amount was materially different from fair value for the open space/recreation asset class. Further, management was able to confirm there were no material changes to the condition of the assets.</p> <p>Refer to section below on 'Assessing the fair value of Council's infrastructure, property, plant and equipment (IPPE)' for commentary.</p> <p>Management advised that the comprehensive valuation of the open space/recreation asset classes has been deferred to 2023-24.</p> <p>Audit outcome</p> <p><i>Footpaths</i></p> <p>The audit team:</p>

Issue or risk	Audit outcome
	<ul style="list-style-type: none"> • reviewed the Council's instructions to the independent valuer • assessed the competence, capability and objectivity of management's valuer • assessed the appropriateness of the methodology, key assumptions, inputs and estimates used in the valuation, including verifying any source data and material changes to useful lives • reviewed adjustments made to the Council's fixed asset records and general ledger to ensure they agree to the valuer's report • reviewed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards. <p>Our testing procedures identified the following anomalies:</p> <ul style="list-style-type: none"> • 835 footpaths with a carrying value of \$19.5 million were newly discovered assets • 970 existing footpaths with a carrying value of \$18.1 million were written-off since they did not exist anymore for a number of reasons • Council recorded the net impact of \$1.4 million as an increment to the asset revaluation reserve. The correct treatment is to account for this as a credited to the Income Statement. We have reported this as an uncorrected monetary misstatement in the Appendix. <p>We plan on reporting in our Management Letter our observations related to implementing tighter controls for asset verifications in between comprehensive valuations.</p> <p>Overall, our testing procedures did not identify any reportable matters.</p> <p>The revaluation was conducted in accordance with AASB 116 'Property, Plant and Equipment' and AASB 13 'Fair Value Measurement'.</p> <p><i>Open space/recreation assets</i></p> <p>While we were materially comfortable with management's alternative procedures to confirm the fair value of the asset class, we plan on reporting in our Management Letter observations related to planning adequately for comprehensive valuations.</p>
<p>Assessing the fair value of Council's infrastructure, property, plant and equipment (IPPE)</p>	
<p>Australian Accounting Standards require the Council to annually assess:</p> <ul style="list-style-type: none"> • whether the carrying value of IPPE materially reflects fair value • useful lives remain reasonable • whether any assets are impaired. 	<p>Overview</p> <p>In 2022-23, Management performed a fair value assessment for the following asset classes that were not subject to comprehensive valuation. These included the following:</p>

Issue or risk	Audit outcome																						
<p>In 2022-23, the Council plans to conduct a desktop valuation of its operational land assets using an external expert.</p> <p>For those asset classes not subject to a comprehensive revaluation this year, Council needs to satisfy itself their carrying value materially reflects fair value at reporting date.</p> <p>This may involve the review of relevant indices as a potential indicator to assess whether assets are not at fair value.</p> <p>The annual assessment along with significant judgements and assumptions should be documented.</p> <p>The Council LGA was impacted by NSW floods in September 2022. It is important that the Council considers the potential financial implications of the event, which may include:</p> <ul style="list-style-type: none"> asset impairment insurance recoveries decommissioning obligations impact to financial statement disclosures. 	<p><i>Operational land (external assessment)</i></p> <p>The independent valuer engaged by management provided valuation indices for operational land at 30 June 2023.</p> <p>The valuer concluded that an overall decrease of 1.9 per cent was reasonable with market expectations. Therefore, a decrease of \$7.6 million was recognised in the asset revaluation reserve.</p> <p><i>Roads, bulk earthworks, bridges, stormwater drainage, open space, land improvements, swimming pools, buildings and other structures (internal assessment)</i></p> <p>Management performed an internal assessment for these asset classes with reference to indices at 30 June 2023. The primary source of the indices was the 2022 Rawlinson's Australian Construction Handbook.</p> <p>The following movements were recognised in the asset revaluation reserve through the assessment:</p> <table border="1" data-bbox="810 927 1337 1467"> <thead> <tr> <th>Asset Class</th> <th>Movement</th> </tr> </thead> <tbody> <tr> <td>Roads</td> <td>\$55.9 million</td> </tr> <tr> <td>Bulk earthworks</td> <td>\$5.4 million</td> </tr> <tr> <td>Bridges</td> <td>\$7.9 million</td> </tr> <tr> <td>Stormwater drainage</td> <td>\$45.6 million</td> </tr> <tr> <td>Open space</td> <td>\$7.2 million</td> </tr> <tr> <td>Land improvements</td> <td>\$1.2 million</td> </tr> <tr> <td>Swimming pools</td> <td>\$0.1 million</td> </tr> <tr> <td>Buildings</td> <td>\$20.3 million</td> </tr> <tr> <td>Other structures</td> <td>Nil</td> </tr> <tr> <td>Total</td> <td>\$143.6 million</td> </tr> </tbody> </table>	Asset Class	Movement	Roads	\$55.9 million	Bulk earthworks	\$5.4 million	Bridges	\$7.9 million	Stormwater drainage	\$45.6 million	Open space	\$7.2 million	Land improvements	\$1.2 million	Swimming pools	\$0.1 million	Buildings	\$20.3 million	Other structures	Nil	Total	\$143.6 million
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	<p><i>Community land, Crown land and land under roads (internal assessment)</i></p> <p>Management performed an internal assessment for community land, Crown land and land under roads with reference to the Valuer-General's values as at 1 July 2022 (most recent Valuer-General value available).</p> <p>The following movements were recognised in the asset revaluation reserve through the assessment:</p> <table border="1" data-bbox="810 1832 1337 2069"> <thead> <tr> <th>Asset Class</th> <th>Movement</th> </tr> </thead> <tbody> <tr> <td>Community land</td> <td>\$25.3 million</td> </tr> <tr> <td>Crown land</td> <td>\$9.3 million</td> </tr> <tr> <td>Land under roads</td> <td>\$0.7 million</td> </tr> <tr> <td>Total</td> <td>\$35.3 million</td> </tr> </tbody> </table>	Asset Class	Movement	Community land	\$25.3 million	Crown land	\$9.3 million	Land under roads	\$0.7 million	Total	\$35.3 million												
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Issue or risk	Audit outcome
	<p><i>Capital works in progress</i></p> <p>The Council reported total work in progress assets at cost of \$200.7 million at 30 June 2023. Out of the total balance, \$166.4 million related to current year additions. Due to the ageing profile of work in progress, management has assessed that the difference between the fair value and cost is unlikely to be material. This is because most of the balance related to current year additions and balances over two years are insignificant.</p> <p><i>Plant and equipment, office equipment, furniture and fittings and other assets</i></p> <p>These asset classes comprise of non-specialised assets with short-useful lives. They are measured at depreciated historical cost, which for these assets, approximates fair value. Management has assessed that the difference between the fair value and depreciated historical cost is unlikely to be material.</p> <p><i>Useful life and impairment assessment</i></p> <p>Management also performed and documented an annual impairment assessment of the Council's other asset classes that were not subject to revaluation. The assessment included:</p> <ul style="list-style-type: none"> reassessing assets' useful lives and residual values considering if there are any indicators of impairment.
	<p>Audit outcome</p> <p>The audit team:</p> <ul style="list-style-type: none"> reviewed the Council's instructions to the external valuer (where applicable) assessed the competence, capability and objectivity of management's independent valuer (where applicable) assessed the appropriateness of the methodology, key assumptions and estimates used in the fair value assessment, including the indices uses and material changes to useful lives reviewed adjustments made to the Council's fixed asset records and general ledger to ensure they agree to the valuer's report reviewed the adequacy of the financial statement disclosures against the requirements of applicable Australian Accounting Standards. <p>We reviewed the documentation and are satisfied with the evidence provided by management that the carrying values of the asset classes that were not</p>

Issue or risk	Audit outcome
<p>Parramatta Light Rail project</p> <p>Stage 1 of the Parramatta Light Rail is a 12km infrastructure project that will connect Westmead to Carlingford via the Parramatta CBD and is expected to be completed in 2024. Stage 2 is currently in the planning and development stage and will connect Stage 1 and Parramatta's CBD to Sydney Olympic Park. The project is being delivered by Transport for NSW (TfNSW).</p> <p>The Development Agreement between TfNSW and City of Parramatta Council requires Council to grant TfNSW a non-exclusive licence to access, use and occupy the licensed area during the licence period to conduct all works or enabling works.</p> <p>In 2022-23 management expects TfNSW will transfer approximately \$39.4 million to Council which includes some upgraded and new assets.</p>	<p>subject to comprehensive valuation materially reflected the fair values.</p> <p>Overall, our testing procedures did not identify any reportable matters.</p> <p>Overview</p> <p>In 2022-23, the following transactions were recorded by the Council related to the Parramatta Light Rail project:</p> <ul style="list-style-type: none"> • additions of \$37.1 million related to stormwater drainage, other structures, footpaths and road assets that were handed over from Transport from NSW throughout the year. The Council recognised these assets with a corresponding entry to other income (Note 'B2-6 Other Income') • disposals of \$4.0 million related to footpaths and road assets as new assets were created to replace them. The Council de-recognised these assets within the relevant IPPE asset classes with a corresponding entry recorded as a net loss on disposal of the assets (Note 'B4-1 Gain or loss from the disposal, replacement and de-recognition of assets'). <p>Audit outcome</p> <p>We tested these transactions to the handover documents. Overall, our testing procedures did not identify any reportable matters.</p> <p>We will continue to monitor developments related to the project and whether there are any transfers and upgrades in future years.</p>
<p>Developments related to the Museum of Applied Arts and Sciences (MAAS)</p> <p>In 2017, the Council and the NSW Government signed a Heads of Agreement and other related agreements to create a new cultural precinct on the Parramatta River (Riverbank site).</p> <p>The Council recorded proceeds from the sale of the Riverbank site of \$140 million. Out of the total \$140 million received, \$40 million was recorded as an externally restricted cash balance.</p> <p>In 2020-21, the NSW Government confirmed that the Powerhouse Museum at Ultimo would remain open to the public and would operate alongside the proposed Parramatta Museum facility.</p> <p>At 30 June 2022, the Council reported a externally restricted cash balance related to the MAAS Agreement of \$34.1 million (30 June 2021: \$36.9 million).</p> <p>We understand the NSW Government did not exercise the option to establish a joint venture to re-develop the Riverside Theatre. The Council advised that no further contractual arrangements have been executed with the NSW Government.</p>	<p>Overview</p> <p>At 30 June 2023, the Council continued to report an externally restricted cash balance related to the MAAS Agreement of \$34.1 million (30 June 2022: \$34.1 million).</p> <p>We understand from management that it expects to receive a further \$40 million from the NSW Government's WestInvest Program to redevelop the Riverside Theatre site. Further, the Council plans to invest more than \$100 million of its own funds into the project to upgrade the arts and cultural precinct. Management advised that the \$34.1 million will be used as part of Council's contribution.</p> <p>Audit outcome</p> <p>Our audit procedures did not identify any material exceptions.</p> <p>As previously reported, the NSW Government did not exercise the option to establish a joint venture to re-develop the Riverside Theatre. The Council advised that no further contractual arrangements have been executed with the NSW Government.</p>

Issue or risk	Audit outcome
	<p>We will continue to monitor further developments in this area as part of next year’s audit, including any agreements the Council may enter into with the NSW Government through the WestInvest program.</p>
<p>Revenue and leases - Significant contracts and agreements</p>	
<p>The Council is party to significant contracts and agreements. These include:</p> <ul style="list-style-type: none"> • approximately \$199.2 million from the WestInvest Fund from the NSW Government across allocated projects over the next 4 financial years • agreement with Parramatta Park Trust (the Trust) related to the construction of the Parramatta Aquatic Centre on the Trust’s land • early termination of the lease to occupy the ground floor, level 1 and 2 of 1-3 Fitzwilliam Street. Management advised the premises was vacated on 21 December 2022. <p>The revenue and lease accounting standards require management to perform on-going detailed assessments over its new and modified contractual arrangements and to apply judgement in assessing the appropriate accounting treatment.</p>	<p>Overview</p> <p>We reviewed management’s assessment of the impact of the revenue and lease standards including new and modified contractual arrangements.</p> <p>For 2022-23, we note the following significant matters:</p> <p><i>WestInvest Fund</i></p> <p>We obtained an update from management and understand that the Council now expects to receive \$200 million for various projects as part of the NSW Government’s WestInvest Program.</p> <p>Apart from reimbursements of business case developments, no funding was receipted in 2022-23 as the funding deeds are still being finalised. We will continue to monitor further developments and the associated financial impacts in future audits.</p> <p><i>Parramatta Aquatic Centre</i></p> <p>We understand that the construction of the Aquatic Centre was not completed in 2022-23. Subsequently, the centre opened on 25 September 2023. We will review the lease agreement and associated financial reporting impacts during next year’s audit.</p> <p><i>Level 1 and 2 of 1-3 Fitzwilliam Street</i></p> <p>On 21 December 2022, the Council early terminated the lease to occupy Level 2 (Part) of 1-3 Fitzwilliam Street. Council reported a gain on the lease modification.</p> <p>Audit Outcome</p> <p>The audit team:</p> <ul style="list-style-type: none"> • assessed management’s processes to ensure completeness over its contracts and agreements • evaluated management’s assessment of accounting implications for new contracts and agreements entered for the year ending 30 June 2023 • reviewed reconciliations and detailed schedules supporting general ledger balances • tested a sample of revenue to ensure recognition is appropriate under the revenue standards • tested a sample of leases to ensure right of use assets, liabilities, depreciation expense and finance costs are appropriately recorded under the lease standard • reviewed financial statements disclosures based on the applicable Australian Accounting Standards.

Issue or risk	Audit outcome
	<p>Our review concluded that management have appropriately:</p> <ul style="list-style-type: none"> accounted for revenue and lease transactions in accordance with the relevant accounting standards met the disclosure requirements.
<p>Horwood place compulsory acquisition</p> <p>The Council is negotiating a compulsory land acquisition for 71 & 45A George Street, Parramatta (City Centre Car Park) with Sydney Metro.</p> <p>On 7 February 2022, the Council passed a resolution to approve the commencement of the Class 3 proceedings in the Land and Environment Court to object the amount of compensation determined by the Valuer-General of \$123.4 million.</p> <p>On 11 April 2022, the Council received \$111.1 million in cash from Sydney Metro (being approximately 90 per cent of the value determined by the Valuer-General).</p> <p>We understand that matter is now with the Land and Environment Court to determine the final outcome.</p>	<p>Overview</p> <p>At 30 June 2023, the Council continued to record a receivable of \$15.7 million which it expects to receive from Sydney Metro (as a minimum). This is calculated as the difference between the final offer of the Valuer-General and the cash received in 2021-22 by Council (including the interest component). The Council is of the view that its claim is valid based on the independent legal advice received.</p> <p>Audit outcome</p> <p>We have reviewed the documentation and are currently of the view it is appropriate for the Council to continue to recognise the receivable.</p> <p>We obtained an update from management and understand that the matter is still with the Land and Environment Court and a final decision has not been made.</p> <p>Management should assess for any post balance date events up to the date of signing the financial statements including reviewing if a final outcome is determined by the Court.</p>
<p>Major capital expenditure</p> <ul style="list-style-type: none"> In 2022-23, the Council has a \$209.0 million capital works program which includes: Parramatta Square development: <ul style="list-style-type: none"> 5 Parramatta Square new council facilities (\$0.5 million budgeted for 2022-23). We understand that practical completion of the building was reached in 2022-23 public domain development (\$3.5 million budgeted for 2022-23) upgrade of the Town Hall (\$15.8 million budgeted for 2022-23). Aquatic and Leisure Centre Parramatta (\$30.5 million budgeted for 2022-23) Dence Park Pool (\$15.9 million budgeted for 2022-23) Community recycling facility (\$15.0 million budget for 2022-23) Cycleway Delivery Program (\$10.0 million budgeted for 2022-23). <p>There is an expectation from a broad range of stakeholders that the Council will deliver its capital works program in a timely manner and within budget.</p>	<p>Overview</p> <p>In 2022-23, the Council reported total additions for infrastructure, property, plant and equipment of \$413.2 million (30 June 2022: \$406.2 million).</p> <p>In 2022-23, we note the following:</p> <p><i>5 Parramatta Square</i></p> <p>On 22 August 2022, the Council issued the developer the certificate of practical completion. Subsequently, management moved the asset from work in progress to complete asset.</p> <p>At 30 June 2023, the carrying value of the 5 Parramatta Square new council facilities (PHIVE) is \$133.0 million.</p> <p>Audit outcome</p> <p>For a sample of capital projects, we:</p> <ul style="list-style-type: none"> reviewed how costs are classified between expenses and assets reviewed the Council's componentisation of project costs into separate assets reviewed the capitalisation of overhead costs

Issue or risk	Audit outcome
	<ul style="list-style-type: none"> examined the timeliness of asset additions to the asset register ensured replaced assets are removed from the asset register ensured financial statements include all relevant disclosures. <p>Overall, our testing procedures did not identify any reportable matters.</p> <p>We will continue to monitor developments related to major capital projects as part of the 2023-24 audit.</p>
<p>New payroll system</p> <p>The Council used the Chris 21 system to initiate, process and record payroll transactions.</p> <p>In 2022, management advised that the payroll system was changed to Aurion which included a data migration. The first payroll processed post migration was on 8 November 2022.</p>	<p>Overview</p> <p>For the move from Chris 21 to Aurion, we tested:</p> <ul style="list-style-type: none"> the governance of the project and key controls in place for the transfer of data the accuracy and completeness of the data migration appropriateness of the accounting treatment of the system implementation. Management has expensed costs related to the new cloud based payroll system. <p>Audit outcome</p> <p>Our testing procedures did not identify any reportable matters.</p>
<p>Information Technology General Controls</p> <p>Australian Auditing Standards require the auditor to understand the Council's control activities and obtain an understanding of how it has responded to risks arising from Information Technology (IT).</p> <p>The planned systems within the scope of the review include:</p> <ul style="list-style-type: none"> Technology One Pathways Aurion. <p>In our Final Management Letter for the year ended 30 June 2022, we reported a high-risk matter related to the review of privileged user activities.</p>	<p>Overview</p> <p>The audit team reviewed the Council's IT control environment over its finance (TechOne), revenue (Pathway) and payroll (Aurion) systems.</p> <p>Audit outcome</p> <p>We identified 1 new and 5 repeat control deficiencies which will be reported in the Management Letter. The repeat matter related to the review of privileged user activities has been assessed as high risk.</p>
<p>Cyber security</p> <p>The Council relies on digital technology to deliver services, organise and store information, manage business processes, and control critical infrastructure. The increasing global interconnectivity between computer networks has dramatically increased the risk of cyber security incidents. Such incidents can harm the Council's service delivery and may include the theft of information, denial of access to critical technology, or even the hijacking of systems for profit or malicious intent.</p>	<p>Overview</p> <p>As part of the 2022–23 financial audit we assessed whether cyber security risks represent a risk of material misstatement to the Council's financial statements. Our audit procedures included:</p> <ul style="list-style-type: none"> assessing whether the risk assessment process considers cyber security risks determining how the roles and responsibilities for cyber security are established obtaining an understanding of the process:

Issue or risk	Audit outcome
	<ul style="list-style-type: none"> - for safeguarding of assets that may be exposed to security breaches - to monitor and detect security breaches or incidents - for disclosing cyber security risks and incidents. <p>Audit outcome</p> <p>We plan to report recommendations in our 2022-23 Management Letter from the work performed on cyber security related to:</p> <ul style="list-style-type: none"> • Disaster recovery testing not performed for Pathway and TechOne systems (repeat). • Lack of a documented cyber security framework/strategy including formal policies and procedures. <p>Overall, our audit work did not identify any significant risks that would have a material impact on the Council's financial statements for the year ended 30 June 2023.</p>

4.2 Misstatements

Auditing Standards require matters of governance interest and significant misstatements identified during the audit to be communicated to those charged with governance.

Misstatements (both monetary and disclosure deficiencies) are differences between what has been reported in the financial statements and what is required in accordance with the Council's financial reporting framework. Misstatements can arise from error or fraud. Misstatements that resulted from failures in internal controls and / or systemic deficiencies will be reported in the Management Letter.

General Purpose Financial Statements (GPFS)

Appendix One lists and explains the nature and impact of the misstatements contained in the GPFS.

- Table one reports significant uncorrected misstatements and disclosure deficiencies
- Table two reports the effect on the reported net operating result of misstatements that have not been corrected in the period in which they occurred
- Table three reports significant corrected misstatements and disclosure deficiencies.

Based on our evaluation, none of the misstatements reported are due to fraud.

Special Purpose Financial Statements (SPFS)

Declared Business Activities

The SPFS for Declared Business Activities did not contain misstatements.

Special Schedule 'Permissible income for general rates' (the Schedule)

The Schedule did not contain misstatements.

4.3 Compliance with legislative requirements

The Annual Engagement Plan and Terms of Engagement explain that audit procedures are targeted specifically towards forming an opinion on the Council's financial statements. This includes testing whether the Council has complied with legislative requirements that may materially impact the financial statements.

Our audit procedures did not identify reportable findings on compliance with legislative requirements.

5. THE AUDIT PROCESS

5.1 Management co-operation

We appreciated the co-operation and help received from the Council's staff, in particular the finance team.

5.2 Audit fees

The estimated audit fee of \$238,400 excluding GST was communicated in the Annual Engagement Plan. The fee was based on the Council providing all documents / information specified in the Engagement Information Request by the agreed dates. Complete and accurate documents / information were not provided in accordance with that schedule. There were delays in receiving information requested for the audit, which required additional time and effort to complete the audit, resulting in additional costs.

After I have analysed the costs, I will discuss the outcome with Mr John Angilley (Executive Director, Finance and Information).

We are happy to discuss how the Council can avoid additional audit fees in future.

5.3 Next year's audit

An efficient audit relies on:

- regular and open communications between the audit team and management
- management responding promptly to the audit team's questions and documentation requests
- timely preparation of the financial statements and resolution of financial reporting issues
- management implementing appropriate quality controls over financial statement preparation
- conducting revaluations of property, plant and equipment before year-end in order to identify and resolve potential issues in a timely manner.

Your comments about the audit process are welcomed.

APPENDIX ONE – GENERAL PURPOSE FINANCIAL STATEMENTS

Table one: Uncorrected monetary misstatements and disclosure deficiencies

Uncorrected monetary misstatements

The following uncorrected monetary misstatements were identified and discussed with management. Management believes the effect of not correcting these misstatements is immaterial, individually and in aggregate, to the GPFS as a whole. We agree with management's determination and do not consider the uncorrected misstatements significant enough to modify the opinion in the Independent Auditor's Report. Management is required to attach the schedules of uncorrected misstatements to the Representation Letter. The misstatements were discussed with Mr John Angilly (Executive Director, Finance and Information) on 17 October 2023.

Description	Assets	Liabilities	Net operating result for the year	Other comprehensive income/Equity
	Increase/ (decrease) \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000	(Increase)/ decrease \$'000
Factual misstatements				
Net amount of newly identified footpaths offset against assets written off taken to asset revaluation reserve incorrectly	--	--	1,409 (1,409)	--
Total impact if misstatements were corrected	--	--	--	--

* Misstatement identified by management.

Uncorrected disclosure deficiencies

We did not detect any reportable disclosure deficiencies that remain uncorrected in the GPFS.

Table two: Effect of misstatements on the reported net operating result

To fully understand the current year's financial result, those charged with governance should consider the impact of misstatements from previous years corrected in the current period and current period errors that remain uncorrected.

This table illustrates the effect of misstatements that have not been corrected in the period in which they occurred.

Description and effect	Net operating result for the year
	(Increase)/ decrease \$'000
Net operating result as reported	(96,428)
Current year misstatements that have not been corrected	--
Adjusted current year net operating result	(96,428)

Table three: Corrected monetary misstatements and disclosure deficiencies

Corrected monetary misstatements

We did not detect any reportable disclosure deficiencies that were corrected in the GPFS.

Corrected disclosure deficiencies

Management corrected the following disclosure deficiencies in the current year's GPFS. We agree with management's determination and confirm this treatment complies with Australian Accounting Standards.

AASB reference	Disclosure title	Description of disclosure deficiency
AASB 107 'Statement of Cash Flows'	Statement of Cash Flows and related Note F1-1 Statement of Cash Flows Information	<p>Various amendments were made to the Statement of Cash Flows and related Note F1-1 for compliance with the accounting standards including:</p> <ul style="list-style-type: none"> 'Other' decreased by \$25.4 million to negative \$28.4 million 'Purchase of investments' merged with 'Acquisition of term deposits' and disclosed \$841 million together 'Work-in-kind received' increased from zero to negative \$37.1 million 'Increase/ (decrease) in other provisions' changed from \$7.94 million to negative \$418k.
Various	Various	Various minor amendments were made to the financial statements for compliance with accounting standards, formatting and clarity purposes.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.