



Cr Pierre Esber
Lord Mayor
City of Parramatta Council
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PARRAMATTA NSW 2124

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30 October 2023

Dear Lord Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2023
City of Parramatta Council**

I have audited the general purpose financial statements (GPFS) of the City of Parramatta Council (the Council) for the year ended 30 June 2023 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 2023 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issue and observation during my audit of the Council's financial statements. This issue and observation was addressed as part of my audit.





Review of privileged user activities

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). In 2022–23, the audit team reviewed the Council's IT control environment over its key business applications and identified a partial repeat issue related to a lack of review of privileged user activities in these systems.

I have rated this matter as high risk and my audit findings will be reported in the Management Letter.

INCOME STATEMENT

Operating result

	2023	2022*	Variance
	\$m	\$m	%
Rates and annual charges revenue	211.7	204.5	 3.5
Grants and contributions revenue	93.8	112.9	 16.9
Operating result from continuing operations	96.4	124.9	 22.8
Net operating result before capital grants and contributions	33.7	41.9	 19.6

Rates and annual charges revenue of \$211.7 million increased by \$7.2 million (3.5 per cent) in 2022–23 due to:

- the Additional Special Variation (including the annual rate peg) increase applied to ordinary rates of 2.5 per cent
- increase of \$2.9 million for domestic waste management service charges.

Grants and contributions revenue \$93.8 million decreased by \$19.1 million (16.9 per cent) in 2022–23 due to:

- decrease of \$9.5 million of developer contributions recognised during the year. The decrease was mainly attributable to a decrease in developer contributions related to the Voluntary Planning Agreements of \$6.9 million
- decrease of \$10.7 million of special purpose capital grants and non-developer contributions grants. The decrease was mainly attributable to the lower cash contributions received related to the Parramatta Aquatic Centre by \$5.4 million and Parramatta Road Urban Amenity Improvement Program by \$5.4 million. This was partially offset by an increase in cash contributions from the Department of Planning and Environment of \$5.3 million and other various contributions.

The Council's operating result from continuing operations of \$96.4 million (including depreciation, amortisation and impairment expense of \$60.9 million) was \$28.5 million (22.8 per cent) lower than the 2021–22 result. This was mainly due to:

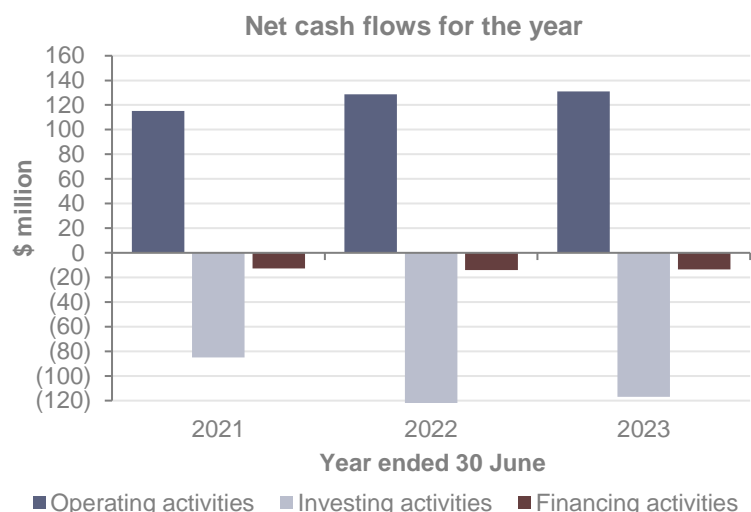
- increase in employee benefits and on-cost expense of \$17.3 million, increase in materials and services expense of \$9.9 million, increase in depreciation, amortisation and impairment of non-financial assets of \$10.2 million, decrease in grants and contributions provided for capital purposes of \$20.3 million and decrease in net gain from disposal of assets of \$23.0 million
- offset by increase in rates and annual charges of \$7.2 million, increase in user charges and fees of \$9.4 million and increase in other income of \$27.4 million.

The net operating result before capital grants and contributions \$33.7 million was \$8.2 million (19.6 per cent) lower than the 2021–22 result.

STATEMENT OF CASH FLOWS

The Council's cash and cash equivalents balance at 30 June 2023 was \$63.2 million. Net cash flows for the year decreased by \$2.0 million.

The overall decrease in net cash flows was due to net cash outflows used in investing activities of \$117.4 million and net cash outflows used in financing activities of \$13.5 million. This was offset by net cash inflows of \$130.8 million in operating activities.



FINANCIAL POSITION

Cash and investments

Cash and investments	2023	2022	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	512.4	551.0	<ul style="list-style-type: none"> Cash and cash equivalents and investments decreased by \$38.6 million
Restricted and allocated cash, cash equivalents and investments:			<ul style="list-style-type: none"> Externally restricted funds mainly comprise development contributions (\$141.9 million), proceeds from the sale of the Museum of Applied Arts and Sciences (MAAS) site (\$34.1), specific purpose unexpended grants (\$48.8 million) and domestic waste management (\$45.6 million).
• External restrictions	285.7	258.7	
• Internal allocations	101.6	178.7	<ul style="list-style-type: none"> Internally restricted cash and investments are restricted due to Council policy. Restricted funds comprise of funds set aside for the property and significant assets reserve (\$94.4 million), employee leave entitlements (\$6.4 million), parking meters (\$0.5 million) and urgent ward works (\$0.2 million). The Property and significant assets reserve represent funds set aside from the sale of property, such as the Parramatta Square site.

Debt

The Council had borrowings of \$2.8 million at 30 June 2023, of which \$2.0 million is classified as a current liability to be settled within the next 12 months. Council repaid loan principal of \$9.7 million during the year.

PERFORMANCE

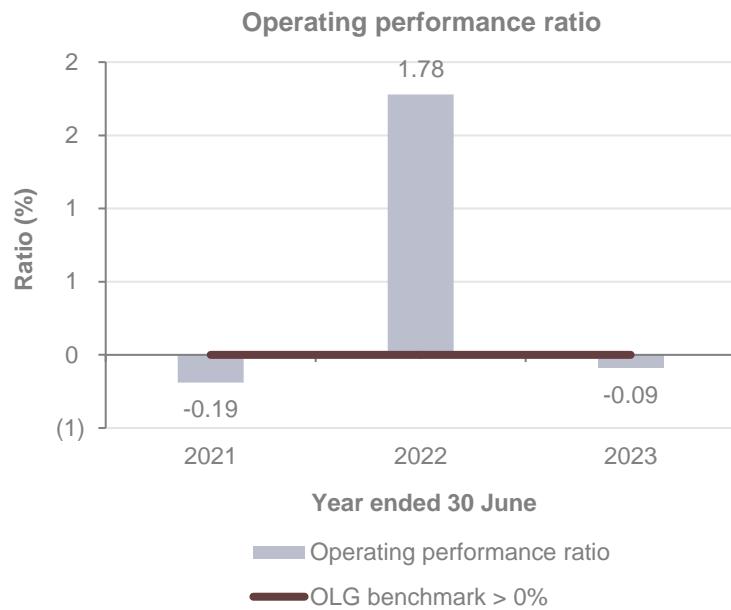
Performance measures

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 and Environment.

Operating performance ratio

The Council did not meet the benchmark for the current reporting period.

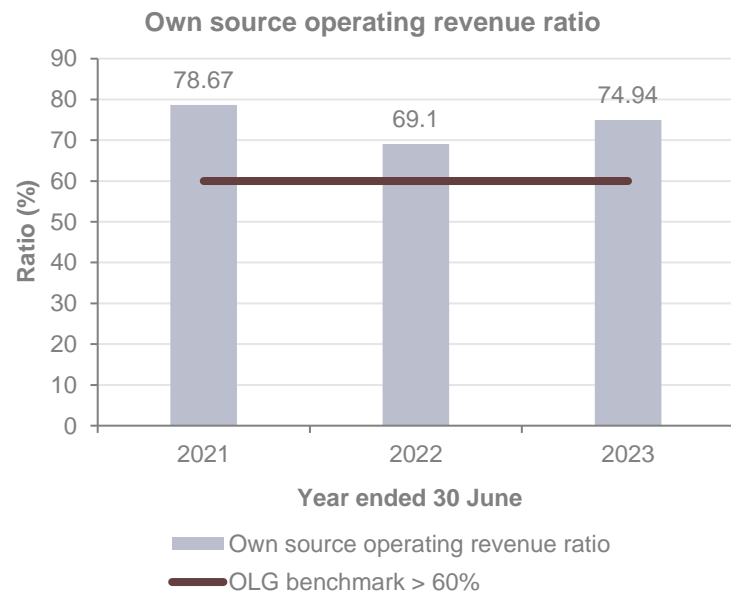
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council exceeded the benchmark for the current reporting period.

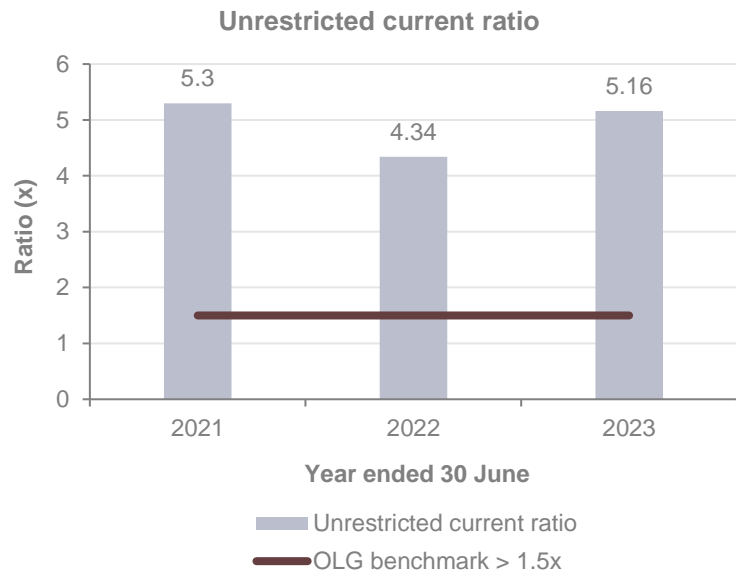
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council exceeded the benchmark for the current reporting period.

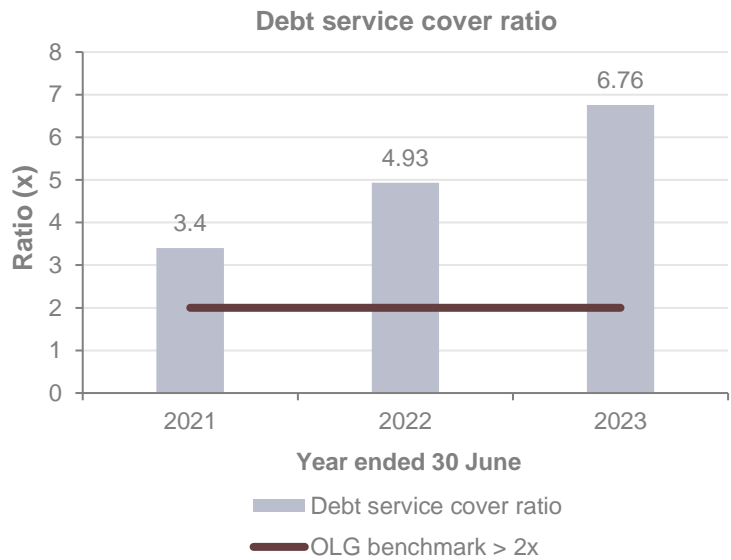
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

The Council exceeded the benchmark for the current reporting period.

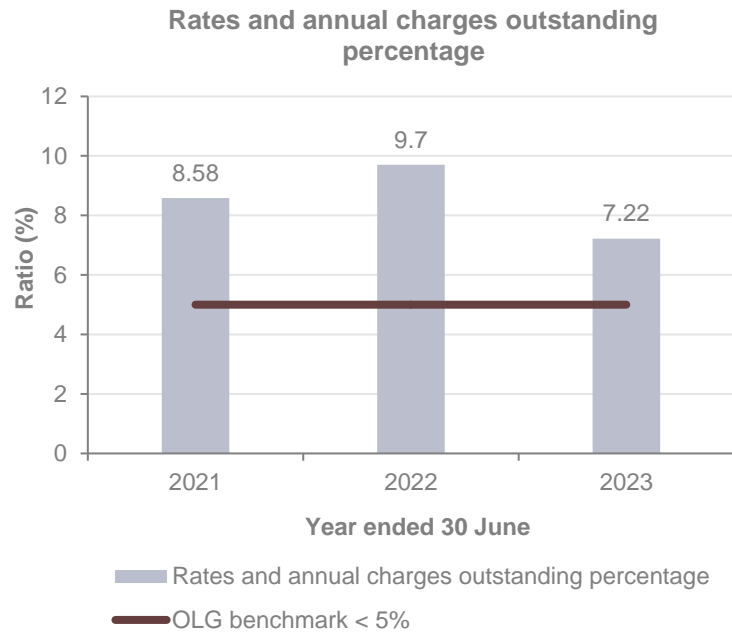
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

The Council did not meet the benchmark for the current reporting period.

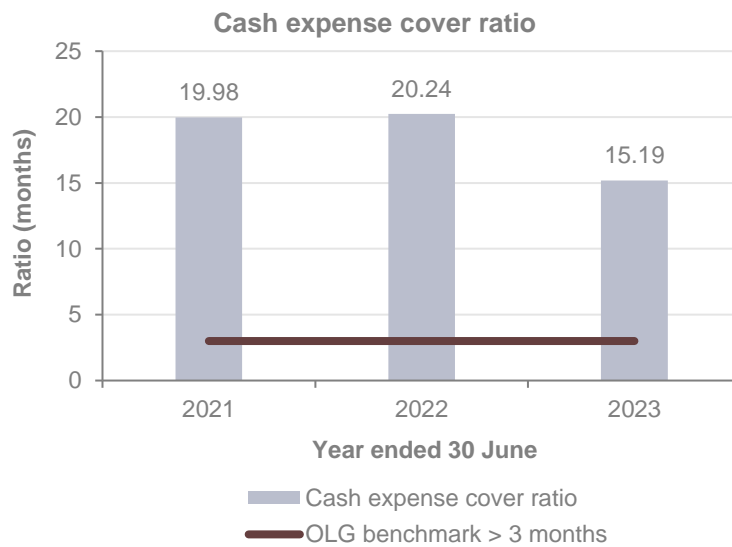
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metropolitan councils.



Cash expense cover ratio

The Council exceeded the benchmark for the current reporting period.

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.



Infrastructure, property, plant and equipment renewals

Council renewed \$48.7 million of infrastructure, property, plant and equipment during the 2022–23 financial year. This was mainly spent on roads (\$15.3 million), capital work in progress (\$20.0 million) and footpaths (\$7.1 million). A further \$364.5 million was spent on new assets including capital work in progress (\$146.4 million), specialised buildings (\$129.4 million), stormwater drainage (\$20.1 million) and footpaths (\$9.0 million).

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.



Nirupama Mani
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Ms Gail Connolly PSM, Chief Executive Officer
Dr. Col Gellatly, AO, Chair of the Audit, Risk and Improvement Committee
Kiersten Fishburn, Secretary of the Department of Planning and Environment