



Cr Keith Williams
Chair
Rous County Council
PO Box 230
Lismore NSW 2480

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Our ref:

Xx October 2021

Dear Chair

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Rous County Council**

I have audited the general purpose financial statements (GPFS) of the Rous County Council (the Council) for the year ended 30 June 2021 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 2021 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

	2021	2020	Variance
	\$m	\$m	%
User charges and fees	20.9	20.8	0.5
Grants and contributions revenue	6.4	5.7	12.3
Employee benefits and on-costs	9.1	8.4	8.3

Materials and services	9.0	10.5	14.3
Operating result from continuing operations	4.3	2.4	79.2
Net operating result before capital grants and contributions	(0.9)	(2.0)	55.2

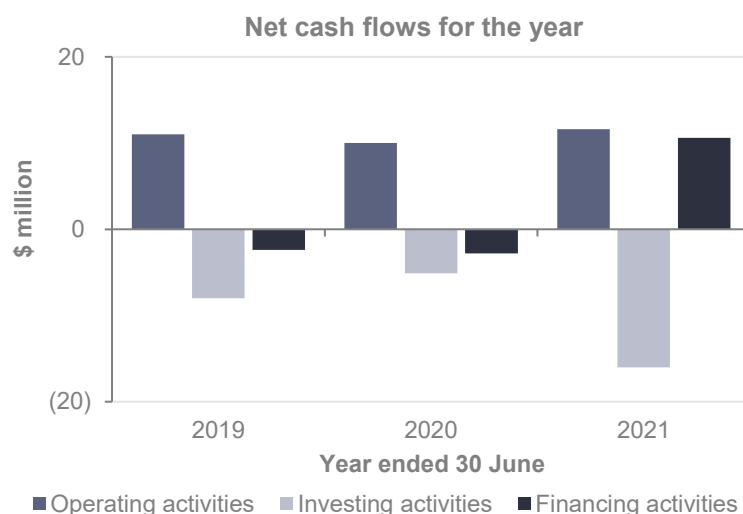
The Council's operating result from continuing operations (\$4.3 million including depreciation and amortisation expense of \$6.7 million) was \$1.9 million higher than the 2019–20 result. The increase is largely attributed to the following:

- grants and contributions revenue increased by \$0.7 million. This increase is largely attributable to higher section 64 contributions (increase of \$0.8 million)
- employee costs increased by \$0.7 million. Employee numbers increased to 97 (11% increase) as at 30 June 2021
- materials and services expenses decreased by \$1.5 million. This decrease is largely attributable to costs associated with extended groundwater studies in the prior year (\$1.4 million) which have not been incurred this year.

The net operating deficit before capital grants and contributions (\$0.9 million) improved by \$1.1 million from the 2019–20 result.

STATEMENT OF CASH FLOWS

- Net cash provided by operating activities increased by \$1.7 million.
- Net cash used in investing activities increased by \$10.9 million. This largely represents a shift in the composition of Council's investment portfolio, with \$12.5 million increased net investment in term deposits in 2020-21.
- Net cash provided by financing activities increased by \$13.4 million. A \$13.5 million TCorp loan advance was received in 2020-21.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	49.4	35.2	<ul style="list-style-type: none"> Externally restricted cash and investments has increased by \$0.9 million. This is represented by an increase in special purpose unexpended grants. Internally restricted cash and equivalents has increased by \$13.3 million. The \$13.5 million TCorp loan was drawn in June 2021 and largely remains unexpended at 30 June 2021.
Restricted cash and investments:			
• External restrictions	4.1	3.2	
• Internal restrictions	43.9	30.6	

Debt

Council has a bank overdraft facility with an approved drawdown limit of \$0.1 million, which was unused at 30 June 2021. Council continues to repay borrowings in line with existing loan agreements.

PERFORMANCE

Performance measures

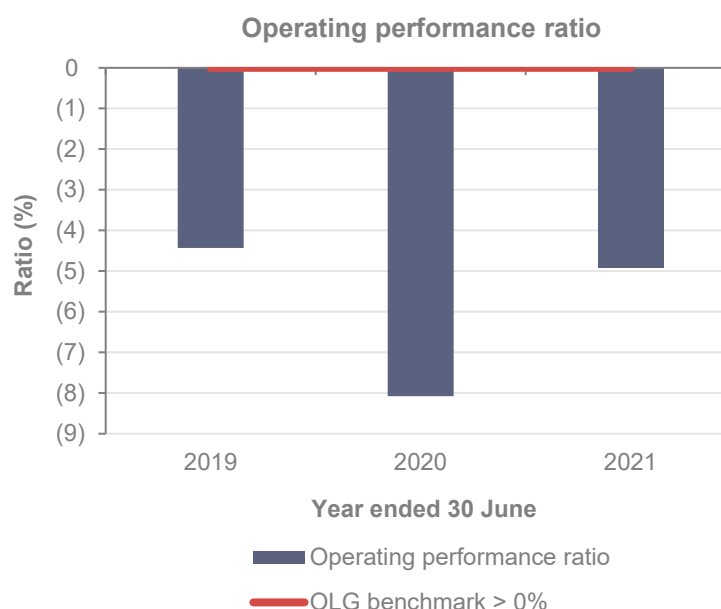
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

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 and previous two reporting period.

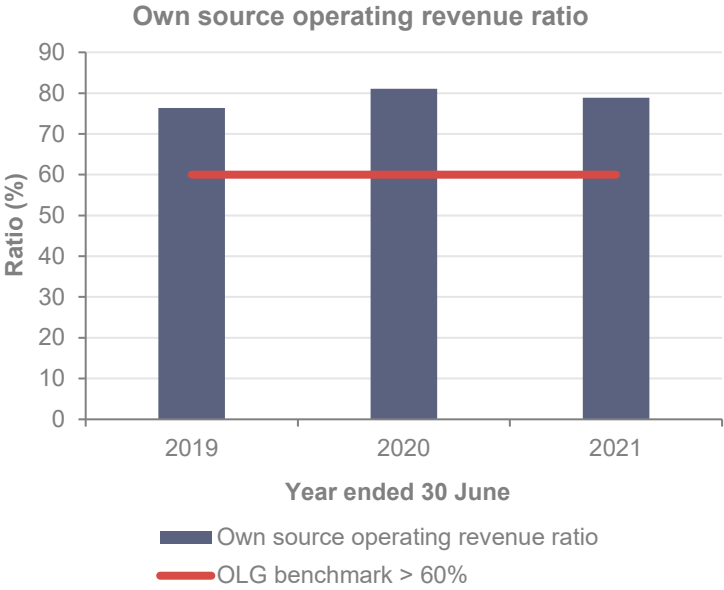
An improvement in Councils 2020–21 operating result (before all capital items) led to an increased operating performance ratio.



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.

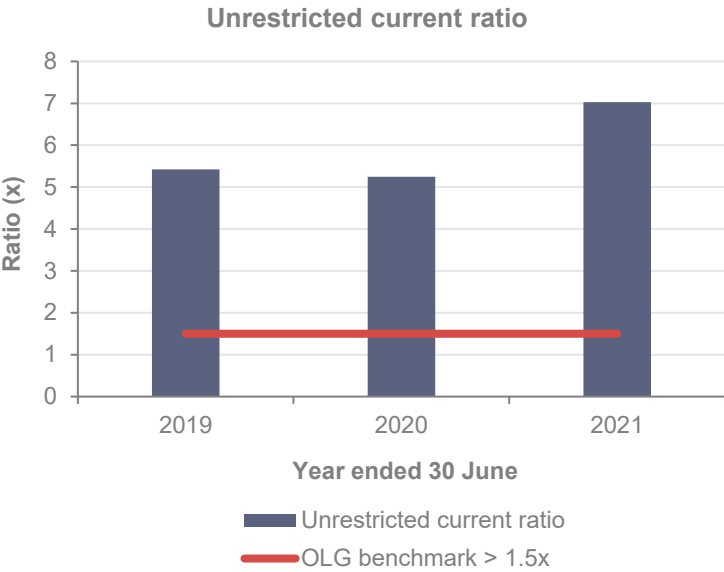
The Council exceeded the OLG benchmark for the current reporting period.



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.

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

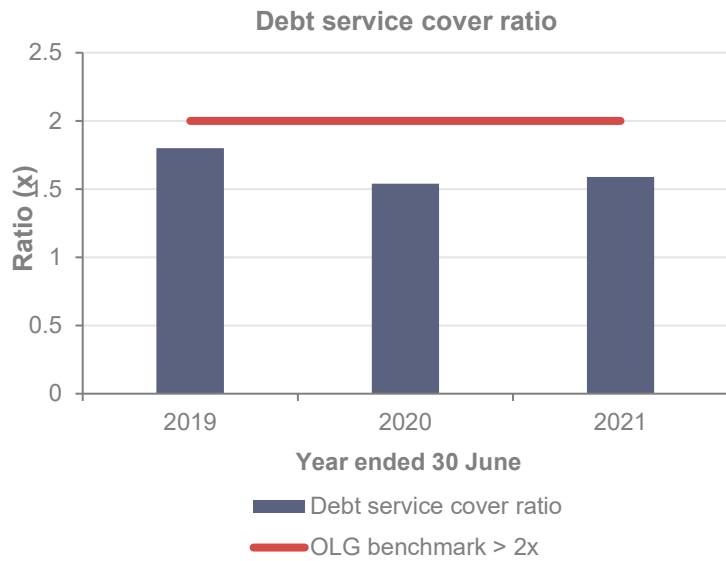


Debt service cover ratio

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 did not meet the OLG benchmark for the current and previous two reporting periods.

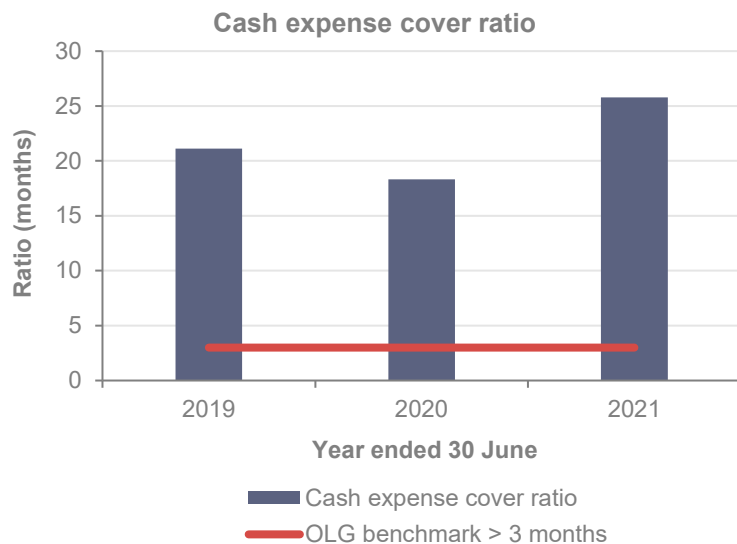
Loan repayments have remained comparable with the 2019-20 year and so to has the debt service cover ratio.



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.



Infrastructure, property, plant and equipment renewals

Council's asset renewal expenditure in the 2020-21 year was \$5.9 million (2019-20 - \$5.8 million). Significant renewal expenditure on both Stage 1 and Stage 2 of the St Helena 600 and raw pump upgrade projects occurred in the 2020-21 year.

OTHER MATTERS

Prior period error

Council reassessed the South Lismore drain asset in 2020-21 and determined that it has always been under the control of Lismore City Council and therefore should be derecognised.

Council's disclosure of the impact of correcting this prior period error is disclosed in Note G4-1.

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.

Gearoid Fitzgerald
Delegate of the Auditor-General for New South Wales

cc: Philip Rudd, General Manager
Brian Wilkinson, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment