

BUSINESS PAPER

Extraordinary Council Meeting

To be held on

Monday, 9 March 2026



Statement of Ethical Obligations

Councillors are reminded of their Oath or Affirmation of Office made under Section 233A of the *Local Government Act 1993* and their obligation under Council's Code of Conduct to disclose and appropriately manage Conflicts of Interest.

Conflicts of Interest

All Councillors must declare and manage any conflicts of interest they may have in matters being considered at Council meetings in accordance with the Council's Code of Conduct. All declarations of conflicts of interest and how the conflict was managed will be recorded in the minutes of the meeting at which the declaration was made.

Recording of Council Meetings

This Council meeting is being recorded and will be made publicly available on the Council's website and persons attending the meeting should refrain from making any defamatory statements.

Council meetings should be:

Transparent:	Decisions are made in a way that is open and accountable.
Informed:	Decisions are made based on relevant, quality information.
Inclusive:	Decisions respect the diverse needs and interests of the local community.
Principled:	Decisions are informed by the principles prescribed under Chapter 3 of the Act.
Trusted:	The community has confidence that councillors and staff act ethically and make decisions in the interests of the whole community.
Respectful:	Councillors, staff and meeting attendees treat each other with respect.
Effective:	Meetings are well organised, effectively run and skilfully chaired.
Orderly:	Councillors, staff and meeting attendees behave in a way that contributes to the orderly conduct of the meeting.



Notice is herewith given of an

EXTRAORDINARY MEETING

That will be held at the Glen Innes Severn Learning Centre,
William Gardner Conference Room, Grey Street, Glen Innes on:
Monday, 9 March 2026 at 9:00 AM

ORDER OF BUSINESS

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Bernard Smith
General Manager

- 1 ACKNOWLEDGEMENT OF COUNTRY**
- 2 APOLOGIES**
- 3 DISCLOSURE OF CONFLICT OF INTERESTS / PECUNIARY AND NON-PECUNIARY INTERESTS**

4 REPORTS TO COUNCIL

REPORT TITLE: 4.1 AUDIT REPORT FINANCIAL YEAR 2024-2025

REPORT FROM: Corporate and Community Services

PURPOSE

The purpose of this report is to provide Council with the final audit report on the financial statements for financial year 2024-2025.

RECOMMENDATION

That Council notes the information contained within this report.

REPORT

Glen Innes Severn Council received an Audit Report from the NSW Office of the Auditor General on 20 February 2026 for the Financial Year 2024-25 Financial Statements as attached (**Annexure A**). The Audited Financial Statements were also lodged with Office of Local Government within the extended deadline of 20 February 2026.

AUDIT REPORT

Summary of audit opinion.

2024/25 Financial Statements have been prepared for Glen Innes Severn Council in accordance with applicable Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Local Government Act 1993 and Regulations and the Local Government Code of Accounting Practice and Financial Reporting December 2023 (the Code).

1. The Annual Financial Statements comprises of the following:

A. General Purpose Financial Statements (**Annexure B**)

- I. Income Statement
- II. Statement of Comprehensive Income
- III. Statement of Financial Position
- IV. Statement of Changes in Equity
- V. Statement of Cash Flows

B. Special Purpose Financial Statements (**Annexure C**)

- I. Income Statement of Business Activities
- II. Statement of Financial Position of Business Activities
- C. Special Schedules (*Annexure D*)
 - I. Special Schedule – Permissible Income for General Rates
 - II. Special Schedule – Report on Infrastructure Assets as at 30 June 2025 (note that this schedule is not subject to audit).
2. Notes to the accounts provide supporting information, and these, together with the above Financial Statements, fulfil all related statutory financial reporting requirements and will be included within Council’s Annual Report.
3. The Office of Local Government requires councils to value non-current assets at fair value on a staged approach of valuing different asset classes in different years, and to continue the cycle on a rolling basis.
4. As a result, the valuation process comprises comprehensive revaluations of each asset class on a maximum five-year cycle basis. Council has the option to undertake valuations more frequently, if required.
5. For the 2024/25 financial year, an interim (index-based) revaluation was undertaken for all asset classes except investment properties.
6. A detailed explanation of the valuation methodologies for the asset classes mentioned above is set out in note E2-1 of the General-Purpose Financial Statements.
7. The Audited Financial Statements were reviewed by the Audit Risk and Improvement Committee on 5 March 2026 for endorsement to Council for authorisation.
8. The 2024/25 financial statements incorporate mandatory disclosures of financial performance ratios within the Statement of Performance Measurement (Note G5 in the General Purpose Financial Statements).
9. While Council supports the ongoing measurement and monitoring of a range of relevant performance indicators, to assess and report each council’s financial and asset management sustainability, there remains several reservations about the current definition and mandatory benchmarks for a number of these indicators (especially around the level of high depreciation smaller rural councils have to report). Industry lobby groups and other local government professionals and auditors will continue to work with the Office of Local Government to refine the current suite of indicators.
10. While it is disappointing that a third consecutive disclaimer of opinion has been issued on the General Purpose Statements, the Special Purpose Statements and the Special Schedule – Permissible Income, by the Audit Office, management has made significant progress since the 2023-2024 Audited Financial Statements. Management has resolved the vast majority of the 10 high priority and critical issues

outlined in the Auditor’s report for that year, leaving two remaining issues outstanding, one of which has already been resolved albeit late in that financial year. The remaining outstanding issue is currently being dealt with and will be resolved in the current financial year.

11. The disclaimed opinion is not a reflection of Council’s underlying financial performance, rather, it reflects the issues that Council has encountered over the past three years since its implementation in 2022 of the current business system. The current business system is scheduled for replacement on 1 July 2026.

12. A summary of the Audited Financial Statements for the period 1 July 2024 - 30 June 2025 is provided below:

	2025	2024
	\$'000	\$000
Income Statement		
Total Income from continuing operations	44,209	50,562
Total expenses from continuing operations	34,195	34,240
Operating result from continuing operations	10,014	16,322
Net operating result for the year	10,014	16,322
Net operating result before grants and contributions provided for capital purposes	(4,881)	(4,361)
Statement of Financial Position		
Total current assets	36,694	41,927
Total current liabilities	455,047	16,167
Total non-current assets	414,542	414,542
Total non-current liabilities	11,412	9,343
Total equity	468,547	430,959

KEY CONSIDERATIONS

Financial/Asset Management

The Financial Statements reflect a Net Operating Result for the year of \$10.014M, in accordance with relevant accounting standards and reporting requirements, against a budgeted surplus of \$8.105M and a Net Operating Deficit excluding Capital Grants and Contributions of \$4.881M versus a budgeted deficit \$3.895M.

The current Long Term Financial Plan (LTFP) was adopted by Council on 19 June 2025 and is currently published on Council’s website. The LTFP will be updated again in the coming weeks along with the 2026/27 Financial Year Budget and Operating Plan.

Policy

- The Australian Accounting Standards and professional pronouncements,
- The Local Government Code of Accounting Practice and Financial Reporting,
- *The Local Government Act 1993*

Risk

Non-compliance with the *NSW Local Government Act 1993*.

Community Consultation

Following endorsement of the Financial Statements by Council, in accordance with Section 420 of the *Local Government Act 1993 (NSW)*, any person may make a submission to Council with respect to the Council's Audited Financial Statements or the Auditor's

Following public exhibition, two public submissions were received and will be forwarded to the Auditors as required under Section 420 of the Local Government Act. Refer to **(Annexure F)**.

Note that the submissions relate more broadly to Council's financial position and the presentation of the financial statements. The statements are presented in the format prescribed by the Local Government Code of Accounting Practice, and Council's financial position is being addressed by the proposed Special Rate Variation.

With regard to the submission by Mr McNamara, regarding the proposal of a community committee to oversee the audit, this is undertaken by the NSW Audit Office and Councils Audit and Risk Improvement Committee. With regard to whistleblower protection, agencies such as ICAC, the Ombudsman, and the Office of Local government provide complaint avenues.

Mr McNamara suggests a Community Consultation Panel to drive strategic direction, Council undertook significant community consultation last year to develop its strategic direction.

Cr Scott's submission highlights the fact that Council has cash, can pay its debts, and has strong infrastructure spending. The observation that the Council is running significant deficits was the driver behind Council's decision to apply for a Special Rate Variation.

Cr Scott's observation that Council depends heavily on grants is correct and supports Council's ongoing advocacy that the Federal Government Financial Assistance Grants need to be increased.

The summary of the Audited Financial Statements has been published online with a link to the full suite of financial statements.

Options (if applicable)

Nil.

LINK/S TO THE DELIVERY PROGRAM/OPERATIONAL PLAN

This report links to Council's Delivery Program *Open and Collaborative Leadership Strategy O1.3.2* Manage public resources (financial and assets) responsibly and efficiently by implementing leading practices, systems and technologies.

CONCLUSION

The purpose of a local government financial audit is to provide independent assurance that a Council's financial statements are accurate, compliant, and trustworthy, and that public money is being managed properly. The audit must be undertaken in accordance with ,

- The Australian Accounting Standards and professional pronouncements,
- The Local Government Code of Accounting Practice and Financial Reporting,
- *The Local Government Act 1993*

It is important to note that all key stakeholders recognise the role the migration to a new business system in 2022 played in the decision by the Audit Office to issue a disclaimer.

Not only were there inadequacies in the system but the data migration at the time was not well managed leading to disclaimed audits. These factors have continued to be the key reasons for the ongoing system issues and disclaimed audits.

The issue is currently being addressed by changing to a business system which is widely used in local government and known to be fit for purpose.

Regarding the system issues, the majority have now been rectified under very difficult circumstances and Council has moved significantly closer to avoiding a disclaimed audit.

This has been acknowledged by the Audit Office.

The audit considers the position as of the 30th June 2025 however much improvement work has been undertaken since then.

It is also important to note that an audit does not pass an opinion on Councils financial position, its purpose is to assess, systems, processes, data integrity, compliance and control environments.

The operating result of a deficit does reinforce the need for a Special Rate Variation to ensure Councils future financial sustainability.

ATTACHMENTS

Annexure A	Financial Statements - Signed
Annexure B	GISC Local Council GPFS - IAR 2025
Annexure C	GISC SPFS - IAR 2025
Annexure D	GISC Special Schedule - Permissible Income for general rates IAR 2025
Annexure E	GISC Report on the Conduct of the Audit 2025
Annexure F	Audited Financial Statement 24-25 Public Submissions