

Agenda item 5: Annual Financial Reports 2013-2014

TRRA Inc. draws Councillors' attention to the fact that the 2013 -2014 Reports do not provide Special Purpose Financial Statements for its Business Units which include property development, holiday parks, civil works and Newcastle Airport.

The Annual Reports as presented provide insufficient information on the performance of these Business Units to enable councillors or the community to assess and comment on these important components of Council's financial interests. TRRA also notes that the Auditor's Report makes no reference to Council's Business Units.

It is appreciated that the Annual Reports as drafted implement a decision of Council taken on 8 April, 2014 which was based on advice that "*the information provided was manual by nature, time consuming to prepare, confusing to the users of the financial statements and when assessed on the whole adds no benefit to of Council's financial Statements*".

However, TRRA rejects each of these reasons for not producing the statements:

- *Manual by nature and time consuming to prepare.* Any decent modern accounting program will produce the base information from which to prepare these statements. TRRA would expect that PSC would, in the interests of its own prudent commercial practice, produce separate annual financial statements for each of its business units and submit these to their auditor.
- *Confusing to users.* The Special Purpose Financial Statements are easy to understand by anyone with a good general knowledge. They include individual P&Ls and Balance Sheets for the Business Units. Without these, this information is hidden in the General Purpose Financial Statements and lacks transparency.
- *Adds no benefit to the users of Council's Financial Statements.* Council's executive, all councillors and the community at large should have the opportunity to scrutinise the performance of each Business Unit to ensure that it is making a worthwhile contribution to the financial viability of the council as a whole and if not, to ask why.

To be fully accountable to the community and to guard against corruption, Port Stephens Council needs to be as transparent as possible in its reporting policies. Accordingly, TRRA believes that Council should not adopt the 2014 Financial Statements without Special Purpose Financial Statements.