

Attachment B

**Draft Independent Auditor's Report and
Report on the Conduct of the Audit**



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Council of the City of Sydney

To the Councillors of Council of the City of Sydney

Opinion

I have audited the accompanying financial statements of Council of the City of Sydney (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2025, the Statement of Financial Position as at 30 June 2025, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of the Division
 - are, in all material respects, consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2025, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I have fulfilled my other ethical responsibilities in accordance with APES 110.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2025 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 'Material budget variations'
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Karen Taylor
Delegate of the Auditor-General for New South Wales

[Date]
SYDNEY



Lord Mayor
Council of the City of Sydney
Town Hall House
Level 2, 456 Kent Street
SYDNEY NSW 2000

Contact: Karen Taylor
Phone no: 9275 7311
Our ref: R008-1981756498-3869

Xx October 2025

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2025
Council of the City of Sydney**

I have audited the general purpose financial statements (GPFS) of the Council of the City of Sydney (the Council) for the year ended 30 June 2025 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

My audit procedures did not identify any instances of material non-compliance with the financial reporting requirements in Chapter 13, Part 3, Division 2 of the LG Act and the associated regulation 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.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2025 is issued in accordance with section 417 of the Act. The Report:

- must address the specific matters outlined in the Local Government Code of Accounting Practice and Financial Reporting 2024-25
- may include statements, comments and recommendations that I consider to be appropriate based on the conduct of the audit of the GPFS.

This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Financial performance

	2025	2024	Variance
	\$m	\$m	%
Rates and annual charges revenue	421.0	397.6	↑ 5.9
Grants and contributions provided for operating purposes revenue	15.6	16.5	↓ 5.5
Grants and contributions provided for capital purposes revenue	111.3	117.8	↓ 5.5
Operating result from continuing operations	133.5	147.9	↓ 9.7
Net Operating result for the year before grants and contributions provided for capital purposes	22.1	30.1	↓ 26.6

Operating result from continuing operations

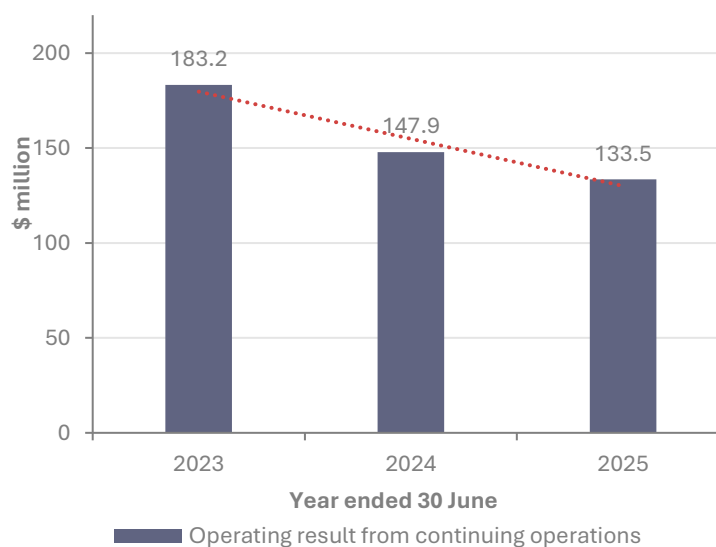
This graph shows the operating result from continuing operations for the current and prior two financial years.

Council's operating result from continuing operations for the year was \$14.5 million lower than the 2023–24 result. This was mainly driven by:

- continued decrease in grants and contributions revenue
- net loss from disposal of assets \$6.6 million (2023-24: gain of \$17.2 million).
- depreciation and amortisation expense (\$130.2 million) increased by \$6.3 million (5.1 per cent) due to growth in infrastructure, property, plant and equipment (IPPE).

The net operating result for the year before grants and contributions provided for capital purposes was \$22.1 million. Refer to 'Grants and contributions revenue' below for details.

Operating result from continuing operations



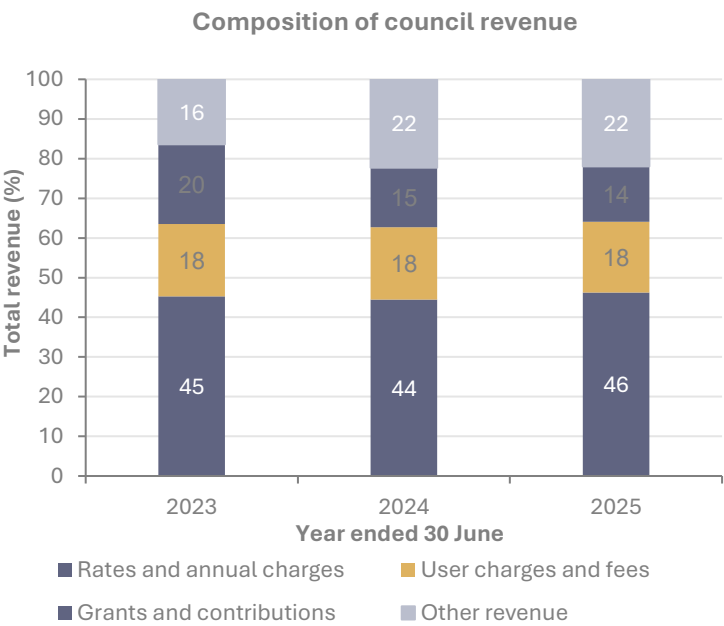
Income

Composition of council revenue

This graph shows the composition of Council’s revenue for the current and prior two financial years.

Council revenue (\$909.7 million) increased by \$15.1 million (1.7 per cent) in 2024–25 due to:

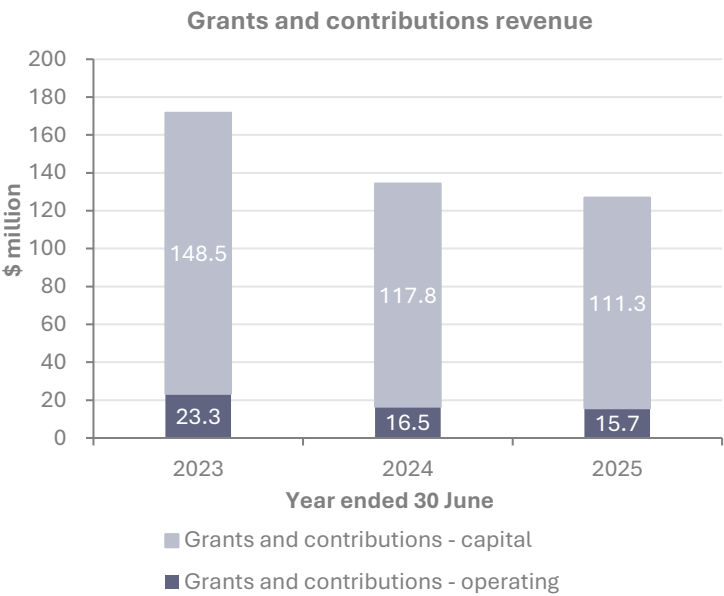
- rates and annual charges revenue (\$421.0 million) which increased by \$23.4 million (5.9 per cent) due to rate peg increase of 5.1 per cent
- offset by a decrease in grants and contributions revenue – see additional details below.



Grants and contributions revenue

This graph shows the amount of grants and contributions revenue recognised for the current and prior two financial years.

Grants and contributions revenue (\$126.9 million) decreased by \$7.4 million (5.5 per cent) in 2024–25. These contributions will fluctuate year on year.



CASH FLOWS

Statement of cash flows

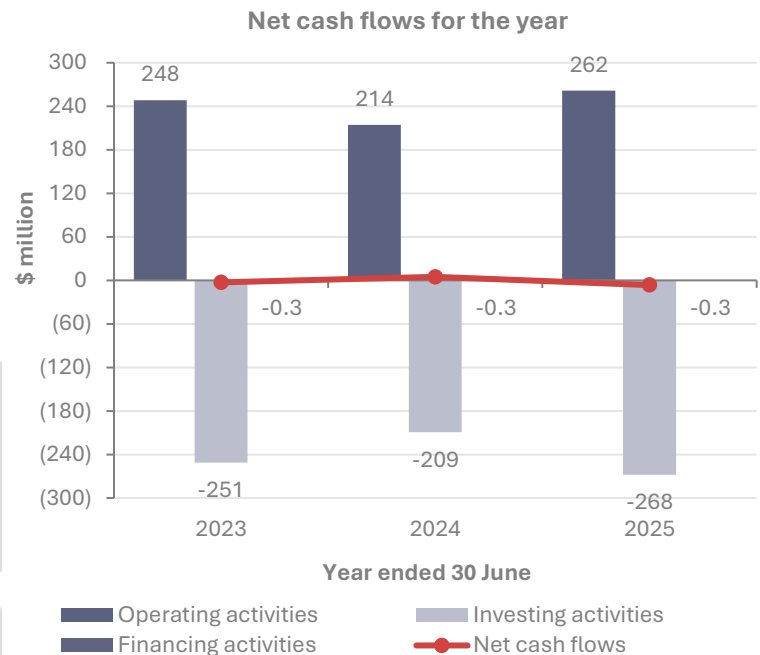
The Statement of Cash Flows details the Council's inflows and outflows of cash over a specific period. It helps in assessing the Council's ability to generate cash to fund its operations, pay off debts, and support future projects. It also aids in identifying any pressures or issues in the Council operating in a financially sustainable manner.

This graph shows the net cash flows for the current and prior two financial years.

The net cash flows for the year were negative \$6.5 million (positive \$4.9 million in 2023-24).

In 2024-25 the net cashflows:

- from operating activities increased by \$47 million mainly due to timing of receipts which can differ from timing of revenue recognition
- used in investing activities increased by \$59 million, mainly due to spending on IPPE.



FINANCIAL POSITION

Cash, cash equivalents and investments

This section of the Report provides details of the amount of cash, cash equivalents and investments recorded by the Council at 30 June 2025.

Externally restricted funds are the cash, cash equivalents and investments that can only be used for specific purposes due to legal or contractual restrictions.

Cash, cash equivalents, and investments without external restrictions can be allocated internally by the elected Council's resolution or policy. These allocations are matters of Council policy and can be changed or removed by a Council resolution.

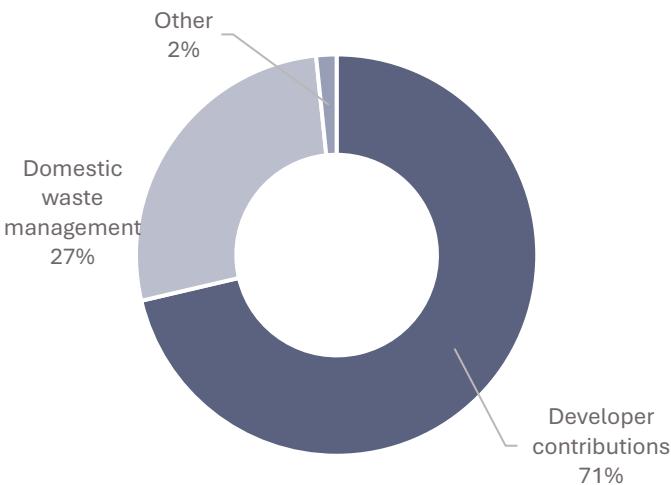
Cash, cash equivalents and investments	2025	2024	Percentage of total cash and investments 2025	Commentary
	\$m	\$m	%	
Total cash, cash equivalents and investments	765.0	766.3		Externally restricted balances comprise mainly of developer contributions and domestic waste management.
Restricted and allocated cash, cash equivalents and investments:				Balances are deemed internal allocations due to Council policy or decisions for forward plans including capital works program.
• External restrictions	152.5	89.1	19.9	
• Internal allocations	315.4	238.4	41.2	

This graph shows the sources of externally restricted cash, cash equivalents and investments.

In 2024-25 the Council's main sources of externally restricted cash, cash equivalents and investments include:

- developer contributions of \$108.8 million which increased by \$62.1 million, mainly due to affordable housing contributions, which were remitted to community housing providers post 30 June 2025
- domestic waste management of \$41.3 million which remained similar to the prior year.

Source of externally restricted cash, cash equivalents and investments



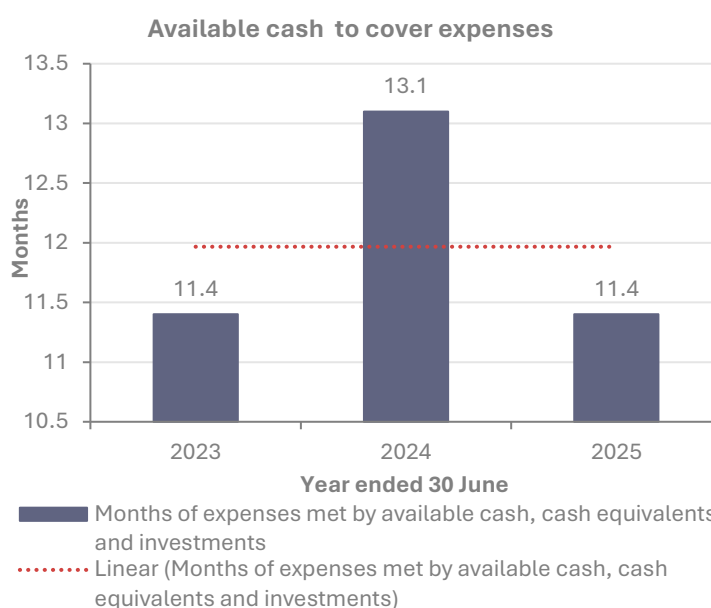
Council liquidity

This graph shows the number of months of general fund expenses (excluding depreciation and borrowing costs), Council can fund from its available cash, cash equivalents and investments (not subject to external restrictions).

Further details on cash, cash equivalents and investments including the sources of external restrictions are included in the section above.

In 2023–24, the available cash to cover expenses was an average of 8 months for metropolitan councils.

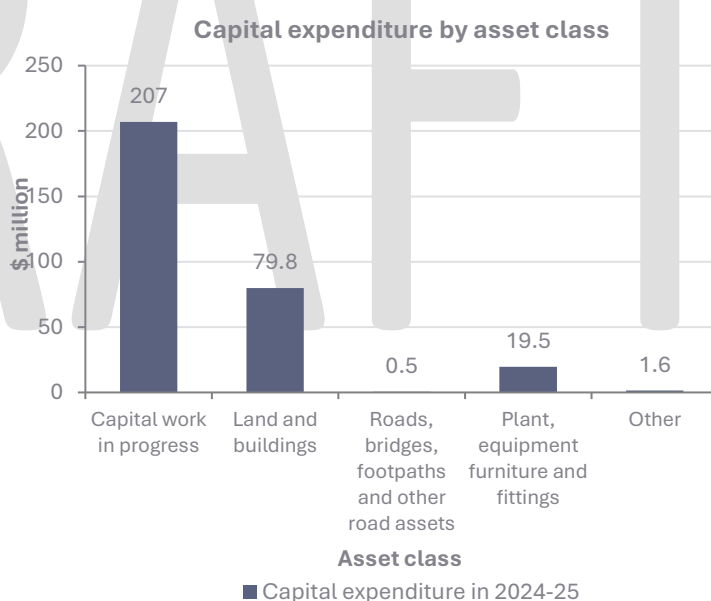
Council continues to exceed this average demonstrating they can meet obligations as they fall due.



Infrastructure, property, plant and equipment

This graph shows how much the Council spent on renewing and purchasing assets in 2024-25.

Council renewed \$123.7 million of infrastructure, property, plant and equipment during the 2024-25 financial year. This was mainly spent on buildings, roads and open space. A further \$184.7 million was spent on new assets including land.



Debt

The table below provides an overview of the Council's loans and committed borrowing facilities. Committed borrowing facilities are an element of liquidity management and include bank overdrafts, and credit cards.

Debt	2025	2024	Commentary
	\$m	\$m	
Credit card facility	1.5	1.5	Facility and use of the facility is stable.
Amount used	0.2	0.2	

Karen Taylor
Delegate of the Auditor-General

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