



SUPPLEMENTARY ITEMS  
BUSINESS PAPER

EXTRAORDINARY MEETING OF COUNCIL

To be held on

Tuesday, 22 December 2020  
4pm

at

Armidale Council Chambers

**Members**

Councillor Ian Tiley (Mayor)  
Councillor Debra O'Brien (Deputy Mayor)  
Councillor Peter Bailey  
Councillor Jon Galletly  
Councillor Andrew Murat  
Councillor Margaret O'Connor  
Councillor Dorothy Robinson

SUPPLEMENTARY AGENDA

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<b>Item:</b>	<b>1.1</b>	<b>Ref: AINT/2020/45190</b>
<b>Title:</b>	<b>Updated Financial Statements for Year Ended 30 June 2020</b>	<b>Container: ARC17/1711</b>
<b>Responsible Officer</b>	<b>Interim General Manager</b>	
<b>Author:</b>	<b>Brad Munns, Financial Accountant</b>	
<b>Attachments:</b>	1. FINAL General Purpose Financial Statements FY2020 (Council Meeting 22Dec2020) 2. FINAL Special Purpose Financial Statements FY2020 (Council Meeting 22Dec2020)	

### **1. Purpose**

The purpose of this report is to recommend the adoption of the final updated draft financial statements for the year ended 30 June 2020, as attached.

### **2. OFFICERS' RECOMMENDATION:**

#### **That Council:**

- a. Adopt the Final Updated Draft Financial Statements for the Year Ended 30 June 2020, as presented.**
- b. Authorise the Mayor, Acting General Manager and Responsible Accounting Officer to sign the Statements by Councillors and Management on the preparation of the General Purpose and Special Purpose Financial Statements for the year ended 30 June 2020 as prescribed by Section 413(2)(c) of the *Local Government Act 1993*.**
- c. Authorise the Acting General Manager to issue the audited Financial Statements for the Year Ended 30 June 2020 immediately upon receipt of the Auditor's Reports subject to there being no material audit changes or audit issues.**

### **3. Background**

Section 416 (1) of the *Local Government Act 1993* requires that a Council's financial reports for a year must be prepared and audited within four months after the end of that financial year.

Due to the Covid-19 pandemic, the Office of Local Government extended the lodgement date from four months to five months. Council received a request from the auditor to apply for a further extension of time and the Office of Local Government granted a further extension until 23 December 2020.

The Responsible Accounting Officer is required to prepare a set of statements in the approved form in accordance with the:

- *Australian Accounting Standards;*
- *Local Government Act 1993;*
- *Local Government Regulations;* and
- *Local Government Code of Accounting Practice and Financial Reporting.*

The first sets of financial statements adopted by Council on 23 September 2020 were presented for audit in accordance with Section 413(1) of the *Local Government Act 1993*. Recommended

audit and disclosure amendments were processed and a second set of draft financial statements were presented to Council on 9 December 2020. Council adopted the second revised set of financial statements on 9 December 2020. As part of their final audit quality review, the NSW Audit Office requested one further final adjustment to the financial statements and Council has processed the requested adjustment. The attached financial statements are the final versions for adoption.

#### **4. Discussion**

The Updated Draft Annual Financial Statements for the Year Ended 30 June 2020 are attached to this report.

There are 2 sets of independent financial statements:

- a) General Purpose Financial Statements (Consolidated Fund); and
- b) Special Purpose Financial Statements (Water and Sewer Funds).

The first draft financial statements, adopted by Council on 23 September 2020 were referred to audit in accordance with Section 413(1) of the *Local Government Act 1993*.

During the year, there were 5 transactions/issues of significance which required separate disclosure in the financial statements:

1. The Introduction of new accounting standards which impacted on the recording of income, Contract liabilities and contract assets;
2. The Tingha Boundary Adjustment which was effective 1 July 2019 resulted in the transfer of \$42.9 million (earlier disclosure was \$40.4 million) of net assets from Council to Inverell Shire Council at nil consideration;
3. The receipt by Council of Crown Land parcels devolved from the NSW State Government;
4. The recognition by Council of RFS Fleet assets; and
5. Land and Property noted as available for sale required reclassification from existing asset registers.

Audit has substantially completed the audit and provided Council with amendments to the first set of draft financial statements. Council has accepted the audit amendments and reflected those amendments in the attached updated draft financial statements. One final adjustment of \$2.5m relating to the Tingha Boundary Adjustment was required by the NSW Audit Office. Council has processed the final adjustment.

## 5. Implications

The impact of the amendments are outlined in the table below:

First Draft	First Draft Financial Statements \$	Amendment \$	Updated Draft Financial Statements \$	Final Amendment \$	Final Updated Draft Financial Statements
Total Income	82.0m	14.5m	96.5m	-	96.5m
Total Expenses	76.3m	0.1m	76.4m	-	76.4m
Net Operating Result from continuing operations	5.7m	14.4m	20.1m	-	20.1m
Loss on Boundary Adjustment	-	(40.4m)	(40.4m)	(2.5m)	(42.9m)
Net Result for the year	5.7m	(26.0m)	(20.3m)	(2.5m)	(22.8m)
Gain on revaluation	4.4m	2.9m	7.3m	-	7.3m
Other movements (Tingha Boundary Adjustment, Crown Land, RFS assets)	(30.9m)	30.9m	-	-	-
Total Comprehensive Income	(20.8m)	7.8m	(13.0m)	(2.5m)	(15.5m)
Total Assets	945.1m	2.8m	947.9m	(2.5m)	945.4
Total Liabilities	78.7m	(7.6m)	71.1m	-	71.1m
Net Assets	866.4m	10.4m	876.8m	(2.5m)	874.3m

Key performance indicators are included in Note 29(a) for the Consolidated entity and Note 29(b) for individual funds in the General Purpose Financial Statements.

The draft Financial Statements were submitted to the Audit, Risk and Improvement Committee for review on 15 September 2020.

The Statements by Councillors and Management were signed on 23 September 2020 and the completed set of draft Financial Statements were referred to Council's Auditor.

The second updated set of draft Financial Statements (after the audit was substantially completed) were presented to Council on 9 December 2020. Council adopted the second updated set of draft Financial Statements.

One final adjustment has been requested by the NSW Audit Office so the Final Updated set of Financial Statements are presented in this report.

Upon receipt of the Auditor's Reports, the audited Financial Statements and Auditor's Reports will be placed on public display for comment with written submissions required to be lodged within 7 days.

The signed audited Financial Statements, together with the signed Auditor's Reports will be presented to the public at a Council meeting in accordance with Sections 418(2) and 419(1) of the Local Government Act 1993. Council's Auditor will attend the meeting.

The audited Financial Statements will then form part of Council's 2019-2020 Annual Report.

### **5.1 Policy**

There are no policy implications for Council associated with this report.

### **5.2 Risk**

The Australian Government, under the Public Governance, Performance and Accountability Act 2013, requires all Commonwealth entities to establish and maintain appropriate risk management systems and have an audit committee. The Public Governance, Performance and Accountability Rule 2014 and Commonwealth Risk Management Policy 15 prescribe the requirements for how risk is to be managed.

### **5.3 Sustainability**

This report contributes to the delivery of the Community Strategic Plan 2017-2027: Leadership for the Region Community Outcome 3– being that Council demonstrates sound organisational health and has a culture which promotes action, accountability and transparency.

### **5.4 Financial**

Preparation of Council's Financial Statements and completion of the annual audit is included in Council's approved budget.

## **6. Consultation and Communication**

Upon receipt of the Auditor's Reports, the audited Financial Statements and Auditor's Reports will be placed on public display for comment with written submissions required to be lodged within 7 days.

## **7. Conclusion**

This report recommends Council adopt and sign the Final Updated Draft Financial Statements for the Year Ended 30 June 2020. The financial statements will then be issued under delegation if there are no further material audit changes or audit issues discovered as a result of the audit process.