



**I hereby give notice that
an Extraordinary Meeting of Council will be held on:**

Date: Monday, 27 November 2017
Time: 4:00pm
Location: Norfolk Island Regional Council Chambers

BUSINESS PAPER
Extraordinary Council Meeting
27 November 2017

Besnes Piepa
f daa Ekstrordeneri Kaunsl Miiten
orn 27 Noewemba 2017

Lotta Jackson
GENERAL MANAGER

Statement of Respect:

The Norfolk Island Regional Council promotes a climate of respect for all. We will endeavour to inspire in our community shared civic pride by valuing and protecting our unique culture and environment, both natural and built, for the current and future generations. We, the elected members and staff of the Norfolk Island Regional Council undertake to act with honesty and integrity, to conduct ourselves in a way that engenders trust and confidence in the decisions we make, and the actions we take on behalf of the Norfolk Island community. We acknowledge the Norfolk Island people, the traditional custodians of this Island.

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5 REPORTS FROM GROUP MANAGER CORPORATE / CHIEF FINANCIAL OFFICER**5.1 ADJUSTMENT OF INVENTORY FAIR VALUE**

Author: Rob Carlesso, Group Manager Corporate / Chief Finance Officer

SUMMARY

The purpose of this report is for Council to approve the adjustment of inventories to ensure that their correct value of inventories, as reported in the 2016/17 Annual Financial Statements, is in compliance with the relevant accounting regulations, standards and practices.

BACKGROUND

The 2016/17 Annual Financial Statements require inventory assets to be measured and recorded at cost, adjusted for any loss of service potential. A physical stocktake has determined the value of inventory assets that now require an adjustment (write down) of \$386,337 to report their correct carrying amount of \$1,116,108 in the Annual Financial Statements.

RELEVANCE TO THE STRATEGIC PLAN AND RESOURCING STRATEGY

Strategic Direction 5 'An informed and accountable community'

DISCUSSION

The Australian Accounting Standard *AASB102 Inventories* requires that the value of inventory stores should be recorded at cost adjusted for any loss of service potential. Refer also to Note 1(ii) of the Norfolk Island Regional Council Financial Statements for the year ended 30 June 2017.

The correct value of Council depot stores inventory has been determined following a physical stocktake of Norfolk Island Regional Council stores completed over five days from the 28 October 2017.

The stocktake was the first comprehensive review of all depot inventory since well before the creation of NIRC and much of the adjustment can be attributed to inventory that was used on jobs but not issued over many years. The review of inventory also fixes significant issues that occurred for stock valuations as a result of the implementation of the new accounting system with items adjusted to record their correct quantity and unit price.

The stocktake value adjusted for inventory movements this current financial year has determined that the true value of inventories (recorded at cost) to be reported in the Annual Financial Statements is \$1,116,108.

In order to correctly report the carrying amount of inventory assets an amount of \$386,337 needs to be recognised as an expense write down for the 2016/17 year, and this needs to be adopted by Council.

Further improvements to simplify the stores operations was implemented as part of the stocktake. The accounting treatment of stationery and printer cartridges was also changed to recognise these items as consumable at the time of purchase.

GOVERNANCE/POLICY IMPLICATIONS

Nil

LEGAL IMPLICATIONS

Nil

ENVIRONMENTAL IMPLICATIONS

Nil

SOCIAL IMPLICATIONS

Nil

FINANCIAL IMPLICATIONS

The physical stocktake has determined the value of inventories to be \$1,116,108. In order to adjust the inventories to their correct value a write down of the net realisable value of inventory losses as an expense of \$386,337 is required. This adjustment increases the expense recorded in the Income Statement by the amount of the write down. The Statement of Financial Position records the adjusted value of inventory assets. The adjustment does not change the result of the Annual Financial Statements presented to Council at the November meeting as it was included and referenced as part of Note 8.

CONCLUSION

Management is progressing to improve financial recording and reporting in line with accepted accounting policies and practices in accordance with the *Local Government Act 1993 (NSW) (NL)*, the Australian Accounting Standards and Local Government Code of Accounting Practice and Financial Reporting. A stocktake of Council inventories was completed that identified an adjustment to the value of inventory stores. the need for an adjustment to the value of inventory stores. This requires a write down expense adjustment of \$386,337 to correctly record the inventories carrying amount of \$1,116,108. The write down was previously included in the Draft 2016/17 Annual Financial Statements (Note 8) and will not change the financial results.

RECOMMENDATION

That the Council approves the expense write down of \$386,337 in the income statement for stores inventories, resulting in the carrying amount of \$1,116,108 inventories in the Statement of Financial Position for the Norfolk Island Regional Council as reported in Note 8 of the Draft 2016/17 Annual Financial Accounts.

ATTACHMENTS

Nil

6 CLOSE OF EXTRAORDINARY COUNCIL MEETING