

**Code of Accounting Practice and Financial Reporting (Update 25)
RESPONSE TO SECTOR AND STAKEHOLDER SUBMISSIONS**

Note: - Yellow highlights are changes made in the final Code Update 25

| Reference | Feedback | Recommendation | OLG Response |
|---|--|--|--|
| General Purpose Financial Statements | | | |
| Various | <ul style="list-style-type: none"> I am writing to inquire regarding the treatment of tipping fees and waste levies by councils (i.e. financial statements classification). Below are a few scenarios I have seen at different councils: <ol style="list-style-type: none"> Council does not own a tip site and classifies the tipping fee (inclusive of the waste levy) as “other expenses”. Council does not own a tip site and classifies the tipping fee as (inclusive of the waste levy) as “materials and contracts”. Council does not own a tip site and splits the tipping fee into waste levy (rates from EPA website) and tipping fee. Tipping fee classified as “materials and contracts” and waste levy classified as “other expenses”. I am not sure what OLG’s interpretation is regarding situations where a council gets charged a fee for tipping and this fee includes the waste levy. Some believe it’s a levy only when paid directly to government by a tip site owner and some believe the tipping fee includes the waste levy and thus should be split out to enable separate disclosure as required by the Code (this is for councils that do not own a tip site). | <ul style="list-style-type: none"> | <ul style="list-style-type: none"> Consistency in the accounting treatment and classification of tipping fees and domestic waste levy to be considered in Code update #26. |
| | <ul style="list-style-type: none"> It would be helpful if the Code could specifically state whether the headers in the top right hand side of every page within the Statements are mandatory. Is it necessary to state the Council name & the Statement name or Note name- these are listed further down anyway in the Statement Header/Note Header? | <ul style="list-style-type: none"> If they are then we suggest that for the Income Statement the header should state “For the reporting period to 30 June 2017” as Income Statement items are not an “as at” amounts. Perhaps a better header would only state they belong to the “Financial Statements 2017”. | <ul style="list-style-type: none"> The header is not mandatory – it is just a place finder for the Code. We have added some words in the introduction to indicate this. Not sure what is meant by “as at” as the Income Statement and Statement of Comprehensive income title and header are: “For the year ended 30 June 2017”. |

| Reference | Feedback | Recommendation | OLG Response |
|---|---|--|--|
| Income Statement And Statement Of Comprehensive Income | | | |
| A-11 | We do not believe that “adjustment to correct prior period errors” is a valid Statement of Comprehensive Income line item. In accordance with the Standard, prior period error adjustments are made retrospectively and are not a legitimate Statement of Comprehensive Income item. | <ul style="list-style-type: none"> | <ul style="list-style-type: none"> Adjustment to prior period errors will be presented in the Statement of Changes in Equity not in the Statement of Comprehensive Income. |
| Statement Of Financial Position | | | |
| A-15 | <ul style="list-style-type: none"> We note “other non-current” assets has been replaced with “inventories”. Is the OLG confident there are no “other” non-current assets that councils may need to disclose? | <ul style="list-style-type: none"> Instead why not add “Inventories” but retain “Other” as a safeguard. | <ul style="list-style-type: none"> “Other non-current assets” line item has been reinstated in the Statement of Financial Performance. |
| A-15 | <ul style="list-style-type: none"> We note the new line item “income received in advance” as a line item in liabilities on the face of the Statement of Financial Position. | <ul style="list-style-type: none"> Perhaps this item would be better positioned after payables. | <ul style="list-style-type: none"> “Income received in advance” line item has been repositioned after payables as suggested. |
| Statement Of Cashflows | | | |
| A-19 | | <ul style="list-style-type: none"> We would like to advocate that the Code include a “below the line” extra disclosure at the Statement of Cash Flows to list: <ol style="list-style-type: none"> the value of investments Council has on hand and total line item for cash and investments on hand at year end. We have placed this disclosure in our Financial Statement Templates for a number of years based on feedback from councils and CFO’s that the Cash Flow Statement alone confuses users into believing this is the total cash/investment funds Council has. The extra two lines take away this confusion and we do not believe they detract (or confuse) in anyway from the Statement of Cash Flows. | <ul style="list-style-type: none"> It is currently stated on the bottom of the Statement of Cash Flows that it should be read in conjunction with the accompanying notes. The additional disclosures suggested are not cash flow line items and do not belong on the Statement of Cash Flows. The Notes to the financial statements is the appropriate location for additional information. |

| Reference | Feedback | Recommendation | OLG Response |
|--------------------------|---|--|--|
| Note 4 - Expenses | | | |
| A-48 Note 4(a) | <ul style="list-style-type: none"> Number of Full Time Equivalent (FTE) employees as at 30 June 2017. This ratio is meaningless when the definition is based on “as at 30 June”. Councils are seasonal businesses a one day snapshot of FTE is totally inadequate if not deceptive. | <ul style="list-style-type: none"> The ratio should be based on the FTE across the whole year. | <ul style="list-style-type: none"> OLG has determined that total FTE at a point in time (i.e. end of the reporting period) and the average FTE are both meaningful to councils. It has been decided to remove total FTE as a point in time disclosure altogether from the Financial Statements and instead include it in the financial data return along with the average FTE ratio. OLG will consider whether these ratios will be included in councils annual reports. |
| A-50 Note 4(d) | <ul style="list-style-type: none"> We note OLG has decided to no longer have impairment in a separate column to depreciation. We believe that the previous separate columns for (i) Impairment and (ii) Depreciation kept an appropriate level of separation between the two very different figures which is now listed with the “all in one” column. Note that in fact the impairment of investments snuck into this sub note in Code 24 – but was not picked up as Code 24 did not provide a good trail of what changed. | <ul style="list-style-type: none"> It would be good if the OLG when it puts out the Code indicate reasons as to why it is removing certain disclosures. If the OLG will not revert to the previous separate columns for (i) Impairment and (ii) Depreciation, then for the sub note to still provide some information and separation between the two very different types of figures. We suggest sub totals should be inserted/shown within the sub note to identify: <ul style="list-style-type: none"> Total Depreciation and Amortisation Total Impairment – IPP&E Total Impairment – Investments Impairment of investments should still be disclosed and netted off against investment income in Note 3(c) as should impairment reversals where they relate to investment income. Note 4(d) should remain as it was before as a Note relating to IPP&E only. | <ul style="list-style-type: none"> Noted Added the sub note and sub totals as suggested. |

| Reference | Feedback | Recommendation | OLG Response |
|--|--|---|--|
| A-51 Note 4(e) | | <ul style="list-style-type: none"> The leading text line “other expenses for the year including the following” is not required. This could be used for every sub note but is not. Why have one on Note 4(e)? | <ul style="list-style-type: none"> This has been removed as suggested. |
| A-51 Note 4(e) | <ul style="list-style-type: none"> We note the line item “fair value decrements – investment properties” has been removed for Code 25 but the Code is silent on where such amounts should go. | <ul style="list-style-type: none"> If they are meant to be shown as a negative income at Note 3(d) other revenues, then maybe this should be noted below Note 3(d) or the line item at Note 3 d) be amended to read: “fair value increments/decrements – investment properties”. Otherwise the expense line should, in our opinion be re-instated. | <ul style="list-style-type: none"> The line item “fair value decrements – investment properties” has been reinstated. |
| A-51 Note 4 (e) | <ul style="list-style-type: none"> Below the line it states that: “*Expenses are to be reported in accordance with clause 217(1) (a1) of the Local Government (General) Regulation 2005 and reconciled with Council's Annual Report”. We feel this narrative is a little bit unclear. Does this mean reconciliation should be shown within the Financial Statements? | <ul style="list-style-type: none"> If so, the Code should specify the form and content & disclosure requirements. If not, then the Code should maybe be a bit clearer in this wording. | <ul style="list-style-type: none"> The statement below the line has been changed as follows: * Councillors expenses are to be reported in accordance with clause 217(1)(a1) of the Local Government (General) Regulation 2005. The total amount disclosed in this Note should equal the total amount disclosed within Council's Annual Report. This has also been moved from the Note to the commentary. |
| Note 9 Infrastructure Property Plant And Equipment (Ippe) | | | |
| Various | <ul style="list-style-type: none"> I am confused with some terminology that has been in place for some time in Note 9(a) Infrastructure, property, plant and equipment in the financial statements. The fair value of IPPE is defined as: “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. Page A-67. Yet the example table for Note 9(a) and the template used by all councils in their financial reporting has the column that is clearly the gross | <ul style="list-style-type: none"> If you want consistency between Councils you need to clearly define what each Function or Activity (A-39) and Asset Class (A-68, C-18) includes. Further definition is required. Having “may” or etc. in a definition leaves it open to individual interpretation. | <ul style="list-style-type: none"> OLG has reviewed Note 9 and changes to the column headings have occurred. The cost column has been removed. The fair value column has been renamed to gross carrying amount and the carrying value column has been renamed to net carrying amount. |

| Reference | Feedback | Recommendation | OLG Response |
|--|--|---|---|
| | <p>replacement cost labelled as fair value, while the column that should be labelled fair value is labelled carrying amount.</p> <ul style="list-style-type: none"> In addition, it would be good if the terminology used in the financial reports and the Code is consistent and aligns with current AASB terminology. There are inconsistencies throughout the Code and financial reports. <p>Examples: fair value = carrying value gross replacement cost = current replacement cost = modern engineering equivalent replacement asset (MEERA)</p> | | <ul style="list-style-type: none"> OLG has also made the necessary changes to the Code ensuring consistency in terminology between the GPFS and Special Schedule 7 specifically in relation to definitions. The word “may” has been removed from Classes of property, plant and equipment page A-69. OLG will consider providing a table which outlines the asset classes and the assets to be recognised in that class as further guidance if necessary in Code update #26. |
| Note 10(A) Payables Borrowings And Provisions | | | |
| A-71 | <ul style="list-style-type: none"> The new subtotal of “deferred income” would appear to be called “income received in advance” in the Statement of Financial Position. Why is there an inconsistency in the names between the Note and the Financial Statement? | <ul style="list-style-type: none"> We think the term “income in advance” should be used instead of “deferred income”. | <ul style="list-style-type: none"> The title “Deferred Income” has been changes to “Income received in advance” as recommended. |
| A-71 | <ul style="list-style-type: none"> The new subtotal of “deferred income” is shown after payables in the Note but is listed after provisions on the Statement of Financial Position. | <ul style="list-style-type: none"> We recommend the positioning be consistent between the Note and the Financial Statement – either both at position two or both at the end. Our preference is both are listed after “payables” – in the Note & in the Financial Statement. | <ul style="list-style-type: none"> This has been repositioned as recommended with both being listed after payables. |
| Note 13 Statement Of Performance Measures | | | |
| A-81 13(a) | <ul style="list-style-type: none"> Statement of performance measures – consolidated results | <ul style="list-style-type: none"> We recommend that the Code mandate (or at the very least suggest) councils to: <ol style="list-style-type: none"> provide graphs of each ratio, include the benchmark for each ratio and provide commentary as to the ratio's amount. We believe KPI’s are an important inclusion in the Statements given the State Government’s FFTF directives and | <ul style="list-style-type: none"> Benchmarks have been included in Note 13 (a) and (b). Other recommendations will be considered in draft Code #26 following further consultation and review. The Code prescribes the minimum requirement. Councils are able to |

| Reference | Feedback | Recommendation | OLG Response |
|--|--|--|--|
| | | so should be retained but that they should be enhanced by providing graphs which permit a more visual and understandable summary of the KPI's. | disclose additional information if required. |
| A-81 and A-82 Note 13(a)&(b) | <p>Ratio - rates and annual charges outstanding</p> <ul style="list-style-type: none"> Councils with water and sewer may have a higher ratio than councils without water and sewer. The reason is that the annual charge for water and sewer isn't levied at the start of the year with the payment due by end of June, as is the case for general rates. At my Council the annual charge is invoiced quarterly to residents but not in the same month, for the accounts sent out in June, 1/12 of the annual charge will be included in outstanding but it won't be due. Whereas, for general rates all the rates and annual charges that has been levied is outstanding and also overdue as at 30th June. The effect on my Council for the 2015/16 year is that we reported a figure of 7.51%, if it was for overdue amounts only the figure would be 4.89%. I know that it can be distinguished when looking at Note 13b but the comparison with other Councils on the consolidated accounts and the benchmark is quite distorted. | | <ul style="list-style-type: none"> Noted. For review and further consultation regarding the narrative and the benchmark. |
| A-82 Note 13(b) | <ul style="list-style-type: none"> Statement of performance measures by fund | <ul style="list-style-type: none"> We recommend that each fund ratio shows at least one year of comparative (and even better would be two comparative figures as shown in Note 13 (a) – otherwise ratios are meaningless. | <ul style="list-style-type: none"> Previous year's comparative has been included in Note 13(b). |
| Note 20 Retained Earnings, Revaluation Reserves, Changes In Accounting Policies, Changes In Accounting Estimates And Errors | | | |
| A-112 | <ul style="list-style-type: none"> For: <ul style="list-style-type: none"> (c) correction of errors in previous years (d) changes in accounting policy and (e) changes in accounting estimates the Code provides no formal example of how these disclosures should be set out. It is our understanding that the Audit Office has some specific set out requirements for councils in relation to these three types of adjustments and accordingly we believe the Code should be | | <ul style="list-style-type: none"> OLG will review the specific Audit Office set out requirements and if necessary provide illustrative disclosures and guidance in draft Code #26. |

| Reference | Feedback | Recommendation | OLG Response |
|------------------------------------|---|--|--|
| | quite specific and explicit in what and how councils should disclose within these sub notes when such adjustments are made. | | |
| Note 21 Results By Fund | | | |
| A-117 | <ul style="list-style-type: none"> The Statement of Financial Position should be consistent with the GPFS Statement of Financial Position for any and all of the new disclosures (e.g. Inventories & Other Assets, Revenue in advance etc.). | | <ul style="list-style-type: none"> Changes have been made to ensure consistency between the Statement of Financial Position and Note 21. |
| Note 25 – Intangible Assets | | | |
| A-125 | <ul style="list-style-type: none"> How should councils report at this Note when they have more than one intangible asset? We note the example states above the column “Software”. We also note that there is no comparative year column. | <ul style="list-style-type: none"> We suggest that: <ol style="list-style-type: none"> There be two columns as per every other Note/sub note. The note figures in the column relate to all intangible assets, and that “below the line” councils list the various intangible assets & their written down values which add up to the total in the disclosure listed above. | <ul style="list-style-type: none"> This Note has been changed as recommended. |
| Supplement – New Councils | | | |
| Various | <ul style="list-style-type: none"> We note that the new 19 councils are not required to comply with AASB 124 due to their financial statements having a start date before the applicable date of the Standard. | <ul style="list-style-type: none"> For consistency across the industry, we question why the OLG did not consider mandating “early adoption” of this standard for the 19 x 13/5/16 new councils. | <ul style="list-style-type: none"> It is generally not OLG policy to “early adopt”; in this case, for the following reasons: <ul style="list-style-type: none"> Councils proclaimed on 12 May 2016 had insufficient time available to implement policies and processes to effectively meet the requirements of the new standard. This would not have been the case for Bayside and others pending a merger. As a consequence a significant number of key management personnel left the new |

| Reference | Feedback | Recommendation | OLG Response |
|-----------|---|---|---|
| | | | councils and it is likely that these councils would have been unable to obtain appropriate declarations. |
| Various | <ul style="list-style-type: none"> We note that new councils are not required to report any budget information. Why does the OLG consider it not relevant for new councils to report against budget in their Financial Statements? All new councils in accordance with the Act must have had a budget for the year – so it seems there is a (continued) lack of accountability to residents, ratepayers and users of the financial statements to have budgets excluded. This will mean former councils and now new councils will not have reported actuals vs. budget for two years” worth of Financial Statements. | | <ul style="list-style-type: none"> As the budget period (01/07/2016-30/06/2017) does not align with the reporting period (13/05 or 10/09/2016 -30/06/2017) comparing the budget to actuals would not make any sense. Therefore a decision was made to not mandate the reporting of the budget, nor to report on material budget variances. The Code prescribes the minimum requirement – if new councils have the budget data which aligns with the reporting period, they are able to present this data in their Financial Statements. |
| Various | <ul style="list-style-type: none"> We note that new councils do not require to show comparative figures and yet in perhaps all cases new councils have been created from the merging of whole former councils. As such we would have thought that it would have been relatively easy for comparative figures to have been compiled and utilised in all new council's first set of financial statements with a note indicating the comparatives represented the joint 15/16 figures of the former councils that make up the new council. Why does the OLG think it is either not relevant (or too hard) for new councils to report comparative figures in their Financial Statements. Comparative figures assist users to understand and assess the current year amounts and accordingly we would have thought that comparative amounts (representing the former councils prior years audited financials) would provide users with some level of understanding and assessment of the new council's operations. | | <ul style="list-style-type: none"> New councils did not exist prior to proclamation date and therefore are not required to report on comparatives. The Code prescribes the minimum requirement – if new councils have comparative data they are able to disclose this data in their Financial Statements. |
| S-4 | <ul style="list-style-type: none"> We note the date reference in the Income Statement as being “Income Statement for the period ended 30 June 2017”. We think | <ul style="list-style-type: none"> We suggest that the following clearly and better sets out what the accounting | This has been changed as suggested. The Supplement |

| Reference | Feedback | Recommendation | OLG Response |
|---------------------------|---|---|---|
| | it is more useful if the Supplementary Income Statement and Statement of Cash Flows state the actual accounting “from/to” period of the financial statements of the new council rather than just “Income Statement for the period ended 30 June 2017” | period actually is: “Income Statement for the period 13 May 2016 to 30 June 2017” “Statement of Cash Flows for the period 13 May 2016 to 30 June 2017”. | Financial Statements will include the Headings “****” for the period [insert date] to 30 June 2017” |
| S-4 Income Statement | <ul style="list-style-type: none"> The OLG (from our memory) had previously stated that on the face of the Supplementary Income Statement (or in the Notes) that the net assets received would be broken up to identify the assets received that represented the rates income from 13/5/16 to 30/6/16 separately. Is there a reason that the Supplementary Code had not allowed for this? | <ul style="list-style-type: none"> The value of rates income for the period 13/5/16 to 30/6/16 (that new councils were not able to bring to account as income) would be relevant to the users of the new council's Financial Statements and we thought the idea of splitting this up from the net asset transferred was of relevance to users of the financial statements of the new council. Even better if this amount was a 3rd line on the face of the Income Statement (along with the current “assets and liabilities transferred from former councils” and “Accounting policy adjustments”). | <ul style="list-style-type: none"> OLG did not provide any guidance to new councils on the method of quantifying the unearned revenues transferred from former councils. As such councils are not required to disclose unearned revenue separately in the Income Statement. The relevant disclosure is included in Note 29 (ii) Rates and Non Reciprocal Grants income. |
| S-5 | <ul style="list-style-type: none"> We note the Statement of Comprehensive Income is not listed in the Supplementary Code for any heading change. We think the Statement of Comprehensive Income should like the Income Statement and the Statement of Cash Flows have an amended date period. It is not an “as at” Financial Statement. ie. “Statement of Comprehensive Income for the period 13 May 2016 to 30 June 2017”. | | <ul style="list-style-type: none"> The Supplement will include the Statement of Comprehensive Income with the headings “Statement of Comprehensive Income for the period [insert date] to 30 June 2017”. |
| S-9&10 Note 29 | <ul style="list-style-type: none"> The “total assets acquired” column in fact should just be “total acquired” as it includes assets, liabilities & equity. We assume the “gain on restructure” column is the addition of the columns: (i) total acquired and (ii) accounting policy adjustments” If so then perhaps this could be stated in the discussion surrounding this Note in the Supplementary Code to make it clear this is just an addition column. | | <ul style="list-style-type: none"> Agree – this has been changed as recommended. |
| Special Schedule 7 | | | |
| C18-C25 | <ul style="list-style-type: none"> Council welcomes the enhanced commentary on Special Schedule 7 and provides the following feedback: Overall Council believes this to be very constructive commentary | <ul style="list-style-type: none"> Annual reporting in Special Schedule 7 will see ongoing changes to this ratio with councils aiming for ratio | <ul style="list-style-type: none"> A benchmark for “estimated cost to bring assets to a satisfactory standard” will be considered as |

| Reference | Feedback | Recommendation | OLG Response |
|-----------|--|--|--|
| | <p>which provides the much needed clarification around the reporting on Infrastructure Assets. It provides an opportunity for Special Schedule 7 to provide a forward view, particularly in relation to the “estimated cost to bring assets to a satisfactory standard”, the “estimated cost to bring to the agreed level of service set by Council”, the “infrastructure backlog ratio”, and the “cost to bring assets to agreed service level ratio”.</p> <ul style="list-style-type: none"> • The provision of clear, measurable definitions will provide further consistency in reporting, leaving less latitude for interpretation. • The guidance provided in the “cost to bring to the accepted level of service set by council” is comprehensive as it clearly outlines the benefits including the opportunity to plan for the future and have financial plans in place to meet the requirements of the Fit for the Future program. • Council is pleased to see that the “cost to bring assets to agreed service level” ratio has now been included as a mandatory infrastructure asset performance indicator. This ratio will provide a meaningful measure of the proportion of outstanding renewal works compared to the total of all infrastructure assets council cares for. Council believes the use of the gross replacement cost as the denominator is appropriate. • The continuing requirement of auditing infrastructure asset information is welcome as it provides an opportunity for consistency across the sector. Reporting consistency will be further enhanced should the Auditor General's Office carryout future audits. • Council agrees with the asset renewal definition to include the modern engineering equivalent replacement asset (MEERA). • Ongoing improvements to the mandatory reporting of Special Schedule 7 will progressively assist the sector in planning and managing its assets in addition to meeting the requirements of the Fit for the Future program. The future inclusion of functionality and capacity issues of infrastructure would be seen as the next progressive step forward in reporting on Infrastructure Assets. | <p>improvements and validating themselves as being Fit for the Future.</p> <ul style="list-style-type: none"> • As for all existing reportable ratios, a desirable benchmark should be provided by OLG. • Council believes further clarification could be provided around the following definitions and associated examples; Council considers that the example provided of a toilet block is in fact a capital upgrade as it would extend the existing building. Should the works to add an accessible toilet within the existing footprint of the building, Council would consider these works as renewal. • The inclusion of Appendices A and B will provide clarification to many past anomalies around renewals vs. maintenance. It is noted that painting is included as a maintenance activity. For additional clarity, provided that this painting is only minor works and does not include the painting of entire interiors or exteriors, where the paint ensures the underlying structure reaches the potential of its life, council believes minor painting should be in the maintenance table but major painting projects should be included in the renewals table. | <p>part of the ongoing review of SS7.</p> <ul style="list-style-type: none"> • Renewal example provided of a toilet block has been changed to adding an accessible toilet as recommended. • Painting as a maintenance activity has been changed to minor painting in the maintenance table and major painting in the renewal table • All other feedback has been noted. |