

**Code of Accounting Practice and Financial Reporting (Update 26)**

**Questions and Answers**

Reference	Question	Answers
General Purpose Financial Statements (GPFS)	Do I include line items that are material to our Council but are not illustrated in the Notes to the Financial Statements?	Yes, you must include all material line items relevant to your Council. The Code prescribes the minimum disclosure required for balances/transactions that are material to Council.
GPFS	There are line items in the Notes to the Financial Statements that are not relevant to my Council. Do I need to present these as nil?	Do not include line items that are not relevant nor separately disclose line items that are not material (these are consolidated in line item 'other').
GPFS	There are Notes in the Financial Statements that are not relevant to my Council. Can I delete these? If so, do I need to keep the numbering as per the Code?	Delete Notes that have a nil value. This will result in the numbering being different to the Code; however, the order of the Notes should remain the same.
GPFS	Is our Council able to add graphs to the Statement of Performance Measures Note?	The Code prescribes the minimum disclosure required for balances/transactions that are material to Council. Council can add additional disclosures at their discretion if the information is meaningful to the end user.
GPFS	How should controlled entities be reported? Should there be a separate parent and consolidated column? It is not clear what entities comprise the group. This information can only be found in Note 17.	It is sufficient to have consolidated columns only and a note in the accounting policy to say whether they are consolidated accounts.
Note 1 - Basis of preparation	In this new format, what value does Note 1 add to the Financial Statements?	The revised Note 1 will provide background information required to set the scene.
Note 1 - Basis of preparation - commentary	Are there instances where the Office of Local Government (OLG) has allowed councils to early adopt Standards? Should the treatment be consistent between councils?	OLG does not grant the ability for individual councils to early adopt but in rare circumstances, through the Code, we have allowed all councils to early adopt (e.g. changes in disclosures in fair value).
Note 3 (a) Income - Rates and annual charges	Is the level of disaggregation in Note 3 required?	Councils now have the option of deleting line items not material nor relevant.
	Is the commentary on FESL still required?	Yes as councils received FESL revenue from Treasury in November 2017.

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Note 4 (a&b)Expenses- Employee benefits and on costs and borrowing costs	Should councils be separately disclosing superannuation expenses relating to defined contribution schemes and expenses relating to defined benefit plans as required by AASB 119?	As LG Super do not provide sufficient information to enable councils to account for defined benefit plans, councils account for defined benefit plans on the same basis as their defined contribution plans. This information is therefore not required to be separately disclosed.
Note 4 (e) Expenses - Other	Should cost of sales be included in Note 4(c) - Materials and Contracts rather than in Note 4(e)?	Given that it is not likely to be material and councils are not in the business of selling items, OLG consider that Note 4(e) is more appropriate.
Note 6(b) Investments	Should impairment of AFS investments be included in Note 4(d)?	This should remain in Note 6(b) financial assets for completeness.
Note 16(c) Non-cash financing and investing activities	What is the purpose of this Note?	This is a AASB 107 requirement - it shows transactions that do not affect cash flows but have affected capital and asset structure.
Note 18 Commitments	Is the level of detail for capital commitments required?	Although the standard only requires the dollar amount, this is not an onerous disclosure and provides more information regarding the commitment.
Note 20 Financial Risk Management	Does this note add value to Local Government Financial Statements? Can it be simplified to tick off the requirements of the standard?	OLG will collect information via the FDR regarding what financial instruments councils hold to determine revising this and other related Notes in the next Code update.
Note 23 - Fair value measurement	Can the fair value levels form part of the Accounting Policy text on the relevant other Notes to eliminate Note 25? This offers compliance with the statement "Reconciliation between levels - only if required". What value does this Note add?	Whilst we can spread this information throughout other notes in the financial statements, it is more efficient to have all the information in one place. For consistency in reporting, OLG require Councils to report fair value in one Note as per Note 25.
Note 26 - Statement of developer contributions as at 30 June 2018	Is there a reason why there are no comparatives for developer contributions?	This is not a AASB requirement and OLG have previously determined comparatives are not required. Council can add additional disclosures at their discretion if the information is meaningful to the end user.
Note 28(a) Statement of Performance Measures - consolidated results	In respect of the operating performance ratio, why do councils that are in the business of land development (as normal operation) have to calculate exclusions as per the footnote? Will OLG consider revising the unrestricted current ratio? The current benchmark of greater than 1.5 does not adequately reflect the cash flows and financial risks faced by local government and restricts the ability of local government to fund facilities for residents from existing resources.	Will be considered as part of ongoing OLG work around the development of performance measures for the local government sector.

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	<p>Will OLG consider revising the own source operating revenue ratio to exclude externally restricted income that can only be spent on specific purposes? This relates predominately to s94 developer contributions revenue that for the next 10 to 20 years that will be at a significantly high level resulting in the inability for Council to achieve a 60% benchmark.</p>	
	<p>Will OLG consider revising the infrastructure backlog ratio? This ratio is currently calculated using the net carrying amount of the infrastructure assets. This figure does not represent the cost of replacing or renewing those assets and is misleading. The ratio should use the Gross carrying or replacement costs to truly reflect the scenario for each Council.</p>	