

Code of Accounting Practice and Financial Reporting – update 25



Office of
Local Government



Contents of this presentation

- Accounting Code documents
- Adoption of Australian Accounting Standards
- Draft Code consultation outcomes
- Fundamental proposed changes to the Code
- Fire and Emergency Services levy
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- Recap, next steps and questions



Code of Accounting Practice and Financial Reporting

- The Accounting Code comprises of four documents:
 1. General Purpose Financial Statements
 2. Special Purpose Financial Statements
 3. Special Schedules
 4. Appendices

Plus Supplement for new councils



Changes to the Accounting Standards

Two new Accounting Standards applicable to Local Government – reporting period ending **30 June 2017:**

- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]
- Scope of AASB 124 Related Party Transactions has been expanded to cover not-for-profit public sector entities



Draft Code consultation

- Draft Code
 - released 7 February 2017
 - 65 councils participated in the webinar
 - 150 registrations
 - 95 attendees
 - six written submissions received
 - 337 observations and suggested changes
 - 197 proposed changes made to final Code.



Fundamental proposed changes to the Code



General Purpose finance Statements (GPFS)

General Purpose Financial Statements (GPFS)

Reference	Change
A-3	Legislative requirements for financial statements <ul style="list-style-type: none"> Added information about the Code supplement for new councils to be read in conjunction with the Code.
A-3 A-4	Date of issue and lodgement of financial statements <ul style="list-style-type: none"> Clarification of authorisation and lodgement of financial statements.
A-7	Commentary – Financial statements <ul style="list-style-type: none"> 6. No requirement for the third Statement of Financial Position to be shown on the face of the primary statements.
A-10	Income Statement and Statement of Comprehensive Income (SOCI) <ul style="list-style-type: none"> Added a note in the commentary about the need to separately disclose amounts recognised in equity relating to assets held for sale.
A-15	Statement of Financial Position <ul style="list-style-type: none"> Added 'other reserves' line item for consistency with Statement of changes in Equity. 'Other non-current assets' line item reinstated.
A-17	Statement of Changes in Equity (SOCIE) <ul style="list-style-type: none"> Included 'adjustment to prior period errors' disclosure moved from SOCI.
A-19	Statement of Cash Flows <ul style="list-style-type: none"> Real estate line items removed. These disclosures to be included in sale and purchase of infrastructure, property plant and equipment (IPPE). Investment property line items removed. These disclosures to be included in sale and purchase of investments.

GPFS (continued)

General Purpose Financial Statements (GPFS) (continued)

Reference	Change
A-22- A-32	Note 1 - Summary of significant accounting policies <ul style="list-style-type: none"> • Clarified revenue recognition, consolidation, IPPE – non-specialised assets, asset classes and asset types. • Removed ambiguity about Crown Reserves.
A-39	Note 2(b) - Components of functions or activities <ul style="list-style-type: none"> • Included 'Public Order and Safety' in Note 2(b).
A-42 A-45 A-47	Note 3 - Income from continuing operations <ul style="list-style-type: none"> • Note 3(b) and commentary includes required disclosure for Fire and Emergency Services Levy (FESL) implementation funding. • Note 3(g) renamed to 'Unspent grants and contributions' and new Standard disclosures added.
A-48 A-49 A-50 A-51 A-53	Note 4 - Expenses from continuing operations <ul style="list-style-type: none"> • Note 4(a) removed disclosure and commentary for number of Full Time Equivalent (FTE) employees – this will be reported in financial data return. • Note 4(c) audit remuneration disclosure and commentary amended to reflect audit changes. • Note 4(d) separated disclosures for impairment of IPPE and impairment of investments and removed capitalised depreciation expense. • Note 4(e) and commentary: <ul style="list-style-type: none"> ○ added required disclosure for FESL implementation expenses; ○ added line item 'cost of sales' (if councils hold inventories for sale/distribution); ○ reinstated the line item 'fair value decrements – investment properties'; and ○ moved Councillor expenses guidance to commentary.

GPFS (continued)

General Purpose Financial Statements (GPFS) (continued)

Reference	Change
A-54	Note 5 - Gain or loss from disposal of assets <ul style="list-style-type: none"> • Combined IPPE and real estate assets.
A-57 A-58	Note 6(b) - Investments <ul style="list-style-type: none"> • Removed movements in financial assets. Commentary 1. Changed the word Council to entity in two places in the sentence.
A-66-A-70	Note 9 - Infrastructure property plant and equipment <ul style="list-style-type: none"> • 9(a) First column heading: changed from 'Asset type' to 'Asset class'. • 9(a) and (b): <ul style="list-style-type: none"> ○ cost column in the table has been removed; ○ the fair value column has been renamed 'gross carrying amount'; and ○ carrying value column has been renamed 'net carrying amount'. • Commentary: <ul style="list-style-type: none"> ○ The requirement for councils to perform a full revaluation of investment properties (at fair value) every three years has been replaced with the requirement that a full revaluation should occur for any material changes. ○ Removed the last sentence in Revaluation – 'However, if council decides to decommission a particular asset, the relevant removal and restoration costs are to be included'. If an asset is decommissioned it is written off to its recoverable amount, if any, less the cost of disposal. ○ Clarified asset classes and types and Standard requirements for indexing assets between full revaluations. ○ Consistent terminology in Note 9 and Special Schedule 7.

GPFS (continued)

General Purpose Financial Statements (GPFS) (continued)

Reference	Change
A-71 A-76	Note 10(a) - Payables, borrowings and provisions <ul style="list-style-type: none"> Deferred income changed to 'income received in advance'. Commentary on liabilities (No.32)- council's self-insurance liabilities now refers to AASB 137.
A81-A82	Note 13 - Statement of performance measures <ul style="list-style-type: none"> Benchmarks included in (a) and (b) as well as comparatives in (b).
A-104 A-105 A-107	Note 19 - Interests in other entities <ul style="list-style-type: none"> Interests in joint arrangements: <ul style="list-style-type: none"> disclosure added about significant restrictions. added line item for non-current financial liabilities (excluding trade and other payables/provisions). Interests in associates <ul style="list-style-type: none"> added line item for non-current financial liabilities (excluding trade and other payables/provisions).
A-112	Note 20 Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors <ul style="list-style-type: none"> Added line item to (b) Reserves: 'other reserves (specify) Added line items in movements: Other reserves at beginning of year and at end of year. Added line item to Nature and purpose of reserve – (iii) Other reserves (specify)
A-117	Note 21 - Results by fund <ul style="list-style-type: none"> Made line items consistent with primary statements i.e. included inventories, income received in advance and other reserves.

GPFS (continued)

General Purpose Financial Statements (GPFS) (continued)

Reference	Change
A-125	Note 25 - Intangible assets <ul style="list-style-type: none">Restructured the entire Note for consistency and relevance.
A-131 A-132	Note 27 - Fair value measurement <ul style="list-style-type: none">Removed unnecessary disclosures and guidance. i.e. Removed last dot point in the middle of page A-131 and on page A-132 the row– ‘recognised in profit or loss-unrealised (refer to Notes 3 and 4).
A-134 – A-136	Note 28 - Related Party Disclosures <ul style="list-style-type: none">A new Note has been added for the required disclosures associated with AASB 124 - Related Party Disclosures. This Note has been further refined based on consultation with key stakeholders since the release of the guidance in Code #24 Appendix J and the webinar held in October 2016.All councils must comply with AASB 124, except the 19 councils proclaimed on 12 May 2016. Bayside Council must comply as it was proclaimed after the Standard commenced.Examples modified to improve clarity.



Supplement for new councils

Supplement for new councils		
Page	Reference	Change
All	All	<ul style="list-style-type: none">• A supplement to the Code for new Councils has been prepared to provide advice on the following specific transitional issues:<ul style="list-style-type: none">○ Income Statement - Gain on Local Government amalgamation - disclosure of assets and liabilities transferred from former councils and any accounting policy and other adjustments;○ Statement of Cash flows - disclosure of cash transferred as a result of amalgamation of councils;○ Note 1 (a) - Basis of preparation in accounting policies - sample wording for the basis of preparation of the financial statements; and○ Note 29 Local Government amalgamation - a detailed account of the assets and liabilities received from the former Councils.
S-2	Introduction	<ul style="list-style-type: none">• Clarifies new councils must complete SPFS and SS's as per the reporting period.
S-3	Statement by Administrator/ Councillors	<ul style="list-style-type: none">• Amended the statement for sign off by either the administrator and interim general manager, or councillors, if signed after the September elections.
S-4	Income Statement - Guidance	<ul style="list-style-type: none">• Added option for new councils to recognise the transfer of assets and liabilities at book or fair value.• Ensured consistency with GPFS.

Supplement (continued)

Supplement for new councils (continued)

Page	Reference	Change
S-5	Statement of Comprehensive Income	<ul style="list-style-type: none">Added to supplement.
S-8	Note 1 - Basis of preparation in accounting policies (extract)	<ul style="list-style-type: none">Amended to reflect transfer of assets and liabilities at either book or fair value, as relevant.
S-9-S-12	Note 29 - Local Government amalgamation	<ul style="list-style-type: none">Wording amended to reflect transfer of assets and liabilities at either book or fair value, as relevant.Removed second (consolidated) column in the table for each former council's assets and liabilities.Renamed the column 'policy adjustments' to 'policy and other adjustments' and included guidance.Removed some examples on accounting policy adjustments as they did not relate to accounting policy.
S-13	Special Schedule 8 - Permissible income for general rates	<ul style="list-style-type: none">Added to the Supplement.



Special Purpose Financial Statements (SPFS) and Special Schedules (SS)

Special Purpose Financial Statements (SPFS)

Page	Reference	Proposed changes
All	All	<ul style="list-style-type: none">Made consistent with General Purpose Financial Statements.

Special Schedules (SS)

Page	Reference	Proposed changes
All	All relevant sections	<ul style="list-style-type: none">Made consistent with General Purpose Financial Statements.
C-16-C-25	Special Schedule 7 - Report on Infrastructure Assets.	<ul style="list-style-type: none">Further clarity about asset classes has been provided as well as the mandatory performance indicator on the 'cost to bring assets to agreed service level'.Benchmarks have been included for all ratios except for 'cost to bring assets to agreed level of service'.Comparatives have been included in part (b).Maintenance and renewal examples have been modified.Required to include in the ratios only those assets classes identified in SS7.

Appendices

Appendices		
Reference		Change
D-6- D-10	Appendix E - Guidance for IPPE	<ul style="list-style-type: none"> Clarified guidance on land, land improvements, other structures and other assets.
D-11- D-18	Appendix F - Accounting examples	<ul style="list-style-type: none"> Removed some examples and refined others.
D-28	Appendix H - Guidance on AASB 124 Related Party Disclosures	<ul style="list-style-type: none"> Removed statement that key management personnel includes all Councillors, the General Manager and all senior staff, as per the Act. Updated examples consistent with the Standard.
D-30 - D-33	Appendix J - Standards issued not yet effective disclosure	<ul style="list-style-type: none"> This has been updated as at January 2017.
D-34	Appendix K - Significant changes to 2017/18 Code due to accounting standards changes	<ul style="list-style-type: none"> This have been updated.
D-35	Appendix L - Guidance on proposed reporting of FESL in 2018 financial statements	<ul style="list-style-type: none"> Removed deletions to draft content (made available upon request) and replaced appendix L with guidance on proposed reporting of Fire and Emergency Services Levy (FESL) in the 2018 financial statements.



Fire and Emergency Services Levy (FESL) 2017-18 disclosures



Fire and Emergency Services Levy

Appendix L

Guidance on proposed reporting of Fire and Emergency Services Levy (FESL) in the 2018 financial statements.

1. Income statement

- Fee received for collection of the levy to be shown in Note 3(b) Fees - Other
- The commentary in Note 3 will be amended as follows:

Service fee for collection of Fire and Emergency Services Levy (FESL)

21 Fee for service revenue received from Treasury for the collection of the Fire and Emergency Services Levy (FESL) will be reported as 'Fees' 'Other' in Note 3 Section (b) User charges and fees.

2. Statement of financial position

- Receivables: No impact since the Council can't control the asset therefore the amount of the FESL is not recognised until received.
- Payables – Note 10(a)
- Restricted Cash – Note 6(c)



On receipt of FESL from ratepayers, a payable to NSW Office of State Revenue (OSR) is recognised.

FESL– Note 10(a)

Note 10(a) Payables, borrowings and provisions

Payables

Goods and service

Accrued wages and salaries

Accrued expenses - other

Deposits and retentions

Other payables * (specify if material)

* Includes FESL payable to OSR

Liabilities relating to restricted assets

Domestic waste management

Water

Sewer

Self-insurance

FESL

Total restricted liabilities



FESL– Note 6(c)

Note 6(c) Restricted cash, cash equivalents and investments

External restrictions

Included in liabilities

Specific purpose unexpended loans (A)

RMS advances (B)

Self-insurance claims (C)

FESL (D)

Other (specify if material)

Other

Developer contributions:

General fund (E)

Water fund (E)

Sewer fund (E)

RMS contributions (F)

Specific purpose unexpended grants:

General (G)

Water fund (G)

Sewer fund (G)

Water (H)

Sewerage (H)

Domestic waste management (H)

Stormwater management (H)

Other (specify if material)

Total external restrictions

FESL– Statement of Cashflows

3. Statement of cash flows

Cash flows from operating activities

Receipts:

Rates and annual charges
User charges and fees
Investment revenue and interest
Grants and contributions
Deposits and retentions received
FESL receipts from ratepayers
Other

Payments:

Employee benefits and on-costs
Materials and contracts
Borrowing costs
Deposits and retentions refunded
FESL payments to NSW OSR
Other

Net cash provided from (or used) in operating activities

The payments and receipts have been grossed up for transparency.





FESL- Note 1

4. Accounting policy

1b(vii) Fire and Emergency Services Levy (FESL)

Council accounts for the receipt of the FESL as a payable when it is received from the ratepayers as this is the point in time when the funds are required to be transferred to NSW Office of State Revenue (OSR). There is no income statement impact from receipt of these monies as Council is acting only as a collection agent for NSW OSR and the funds are fully paid over each quarter.

Council earns a fee for collecting the FESL which is recognised on an accruals basis.



Financial Statements reminders

Financial statements have been prepared in accordance with:

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB);
- the Local Government Act 1993 and Regulations; and
- the Local Government Code of Accounting Practice and Financial Reporting (the Code).



Financial Statements reminders - continued

- All content in your council's financial statements should be relevant to your council.
- Review accounting policies to ensure that all policies are applicable to balances/transactions of your council.
- If disclosures illustrated in the Code are not material to your council then do not include them in the financial statements.





Financial Statements reminders - continued

- Written request for an extension of time for the lodgement of financial statements to be submitted to the OLG by **17 October 2017**.
- Audited financial statements and financial data return to be submitted to the OLG by **31 October 2017**.





Recap of proposed changes

Proposed changes in GPFS

Legislative requirements for financial statements	Note 5 - Gain or loss from disposal of assets
Date of issue and lodgement of financial statements	Note 6(b) - Investments
Commentary – Financial statements	Note 9 - Infrastructure property plant and equipment
Income Statement and Statement of Comprehensive Income (SOCi)	Note 10(a) - Payables, borrowings and provisions
Statement of Financial Position	Note 13 - Statement of performance measures
Statement of Changes in Equity (SOCIE)	Note 19 - Interests in other entities
Statement of Cash Flows	Note 20 Retained earnings, Revaluation reserves, changes in accounting policies, changes in accounting estimates and errors
Note 1 - Summary of significant accounting policies	Note 21 - Results by fund
Note 2(b) - Components of functions or activities	Note 25 - Intangible assets
Note 3 - Income from continuing operations	Note 27 - Fair value measurement
Note 4 - Expenses from continuing operations	Note 28 - Related Party Disclosures

Recap (continued)

Proposed changes to Supplement	Proposed changes to Special Purpose Financial Statements and Special Schedules
Introduction	Made consistent with General Purpose Financial Statements.
Statement by Administrator/ Councillors	Special Schedule 7 - Report on Infrastructure Assets.
Income Statement - Guidance	
Statement of Comprehensive Income	
Statement of Cashflows	
Note 1 - Basis of preparation in accounting policies (extract)	
Note 29 - Local Government amalgamation	
Special Schedule 8 - Permissible income for general rates	



Recap (continued)

Appendices changes

Appendix E - Guidance for IPPE

Appendix F - Accounting examples

Appendix H - Guidance on AASB 124 Related Party Disclosures

Appendix J – Standards issued not yet effective disclosure

Appendix K – Significant changes to 2017/18 Code due to accounting standards changes

Appendix L - Guidance on proposed reporting of FESL in 2018 financial statements



Next Steps

- Proposed release of final Code – mid/late May
- Commence work on 2017/18 considerations including the review of:
 - GPFS
 - recognition of Fire and Emergency Services assets i.e. Council or State
 - order of the Notes
 - mandatory requirements for nil disclosures.
 - Note 9: 5 year cycle
 - Note 9(b), 13 and 17 disclosures in the GPFS
 - Note 20 – audit office set out requirements
 - Special Purpose and Special Schedules



Where to go to for help?

- **OLG Accounting Practice webpage**

<http://www.olg.nsw.gov.au/strengthening-local-government/supporting-and-advising-councils/accounting-practice>

- **Australian Accounting Standards Board website**

<http://www.aasb.gov.au/Home.aspx>

- **Contact details for OLG**

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Questions?





- Thank you for your participation.

