

Code of Accounting Practice and Financial Reporting (Update 28) Summary of changes 2019-20

Key changes

Draft Code #28 changes (since release of final Code #27)	Additional changes between draft Code and Final Code #28
<p><u>General Purpose Financial Statements</u></p> <p>Minor updates to the readability and user friendliness of the Code.</p> <p>Removed Note for Merged Councils.</p> <p>Included Joint Organisations (JOs) under the Code requirements (and additional requirements in JO Supplement).</p> <p>Additional line items added to:</p> <ul style="list-style-type: none"> • Income Statement <ul style="list-style-type: none"> - Rental Income • Statement of Comprehensive Income <ul style="list-style-type: none"> - Fair value movement on investments at fair value through other comprehensive income (FVOCI) • Statement of Financial Position - additional line items due to new standards: <ul style="list-style-type: none"> - Contract assets - Contract cost asset - Right of use assets - Contract liabilities - Lease liabilities • Statement of Changes in Equity <ul style="list-style-type: none"> - Changes due to AASB 1058 and AASB 15 and AASB 16 adoption (note 18) • Statement of Cash Flows <ul style="list-style-type: none"> - Lease liabilities (principal repayments) • Commentary – Statement of Cash flows <ul style="list-style-type: none"> - 2.Cashflows - If accounting standards do not allow the recognition of an asset then the cashflows are classified as operating - 6. Leases - principal components of the lease repayments are classified as financing activities • Notes to the Financial Statements: <ul style="list-style-type: none"> - Additional words around when Council amends financial statements - Amending financial statements based on public submissions or where OLG directs Council - Volunteer services additional disclosure – AASB 1058 • Note 3 Revenue from continuing operations – note reworked due to AASB 15 and AASB 1058: <ul style="list-style-type: none"> - Revenue from Contracts with Customers (AASB 15) 	<p><u>General Purpose Finance Statements</u></p> <ul style="list-style-type: none"> • Introduction - Updated • Income Statement <ul style="list-style-type: none"> - Updated note numbers • Commentary – Income Statement and Statement of Comprehensive Income <ul style="list-style-type: none"> - Added guidance • Statement of Financial Position <ul style="list-style-type: none"> - Updated note numbers and heading • Commentary- Statement of Cash Flows <ul style="list-style-type: none"> - Additional guidance on Leases • Contents of the Notes to the Financial Statements – Updated • Note 2(a) Functions or Activities <ul style="list-style-type: none"> - Added comparative columns • Note 3(g) Disaggregation of revenue <ul style="list-style-type: none"> - Revenue recognition streams of Council – table added - Added guidance to commentary • Note 4 Interest and Investment income <ul style="list-style-type: none"> - Change of note order • Note 5 Expenses from continuing operations <ul style="list-style-type: none"> - Change of note order • Note 5(d) Expenses from continuing operations <ul style="list-style-type: none"> - Added commentary • Note 7(c) Restricted cash, cash equivalents and investments <ul style="list-style-type: none"> - Added line items to separate by fund - Added guidance to commentary • Note 8 Receivables <ul style="list-style-type: none"> - Added guidance to commentary • Note 15 Leases <ul style="list-style-type: none"> - Sub note numbering - Repositioning of guidance • Note 16 Payables and Borrowings <ul style="list-style-type: none"> - Added line item • Note 19 Statement of Cash Flows information <ul style="list-style-type: none"> - Added line item • Note 26 Fair value measurement <ul style="list-style-type: none"> - Level 3 asset class fair values

<ul style="list-style-type: none"> - Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations – AASB 1058) - Accounting Policy updates - Commentary – 4, 5, 7 AASB 15 and AASB 1058 • Note 4 Expenses from continuing operations – changes due to new standards: <ul style="list-style-type: none"> - Borrowing costs – interest on leases - Materials and contracts <ul style="list-style-type: none"> ▪ Expenses from short-term leases (2020) ▪ Expenses on low value assets (2020) ▪ Variable lease expense relating to usage (2020) - Depreciation amortisation and impairment of non-financial assets <ul style="list-style-type: none"> ▪ Right of use assets • Note 5 Interest and investment income – Note separated from revenue note since not in scope of AASB 15 or AASB 1058 • Note 7(b) Investments Commentary – Impairment of financial assets <ul style="list-style-type: none"> - recognition – simplified approach • Note 8 Receivables – accounting policy – simplified approach • Note 12 Investment Properties – changes due to AASB 16: <ul style="list-style-type: none"> - Owned investment property - Commentary on investment property both owned and right of use • Note 13 Intangible assets - commentary 8. regarding disclosure • Note 14 Contract assets and liabilities - New note due to AASB 15 – Guidance at Appendix J • Note 15 Leases - New note due to AASB 16 Guidance at Appendix K • Note 18 Accumulated surplus, revaluation reserves, changes in accounting policies, accounting estimates and errors <ul style="list-style-type: none"> - Changes in accounting policy due to adoption of new Accounting Standards – additional words and guidance for AASB 15, 1058 and 16 • Note 19 Statement of Cash Flows information <ul style="list-style-type: none"> - Reconciliation of cash and cash equivalents – additional line items added due to AASB 15 <ul style="list-style-type: none"> ▪ (Increase)/decrease in contract cost assets ▪ Increase/(decrease) in contract liabilities • Note 21 Commitments – references to Note 15 Leases • Note 23 Financial risk management <ul style="list-style-type: none"> - Financial liabilities – lease liabilities - Liquidity risk – lease liabilities and non-lease liabilities - Note 26 Fair Value measurement – Commentary re: right of use assets, capital WIP not being held at fair value 	<p><u>Joint Organisation Supplement</u></p> <ul style="list-style-type: none"> • Changes due to new standards and consistent with changes to General Purpose Financial Statements • Statement of Financial Position - additional line items due to new standards: <ul style="list-style-type: none"> - Contract assets - Contract cost asset - Right of use assets - Contract liabilities - Lease liabilities • Note 2 Income <ul style="list-style-type: none"> - Revenue from contracts with customers AASB 15 - Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations – AASB 1058) • Note 3 Expenses <ul style="list-style-type: none"> - From leases & borrowing costs • Note 8 Contract assets <ul style="list-style-type: none"> - Note and guidance added • Note 9 Leases <ul style="list-style-type: none"> - Note and guidance added • Note 13 Changes in accounting policy <ul style="list-style-type: none"> - Due to adoption of AASB 15, AASB 1058 and AASB 16 • Guidance notes <ul style="list-style-type: none"> - Points added to Revenue Note 2 and Leases Note 9 <p><u>Special Purpose Financial Statements</u></p> <ul style="list-style-type: none"> • Update to the corporate taxation equivalent rate (27.5%) • Statement of Financial Position - Additional line items due to new standards: <ul style="list-style-type: none"> - Contract assets - Contract cost asset - Right of use assets - Contract liabilities - Lease liabilities • Note 1 Significant accounting policies <ul style="list-style-type: none"> - Updated reference to 'DoI – Water Guidelines' to <i>Best Practice Management of Water Supply and Sewer Guidelines</i>
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- **Note 30 Results by fund** – additional line items added to be consistent with primary statement changes due to new standards
 - Contract assets
 - Contract cost assets
 - Right of use assets
 - Contract liabilities
 - Lease liabilities

Joint Organisation Supplement

- Changes due to new standards and consistent with changes to General Purpose Financial Statements
- **Statement of Financial Position** - additional line items due to new standards:
 - Contract assets
 - Contract cost asset
 - Right of use assets
 - Contract liabilities
 - Lease liabilities
- **Note 2 Income**
 - Revenue from contracts with customers AASB 15
 - Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations – AASB 1058)
- **Note 3 Expenses**
 - From leases & borrowing costs
- **Note 8 Contract assets**
 - Note and guidance added
- **Note 9 Leases**
 - Note and guidance added
- **Note 13 Changes in accounting policy**
 - Due to adoption of AASB 15, AASB 1058 and AASB 16
- **Guidance notes**
 - Points added to Revenue Note 2 and Leases Note 9

Appendices

- **Appendix H** Guidance on AASB 10-12 – The consolidation suite of standards – minor amendments to add additional guidance / clarity
 - AASB 128 Interests in Associates and Joint Ventures
 - AASB11: Joint arrangements
- **Appendix J (New)** Guidance on AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of NFP Entities
- **Appendix K (New)** Guidance on AASB 16 Leases
- **Appendix L** New standards adopted during the year ended 30 June 2020 – updated for relevant standards
- **Appendix M** Standards issued not yet effective – updated for current list at date of writing

Appendices

- **Appendix H** Guidance on AASB 10-12 – The consolidation suite of standards
 - minor amendments to add additional guidance / clarity
 - AASB 128 Interests in Associates and Joint Ventures.
 - AASB11: Joint arrangements.
- **Appendix J (New)** Guidance on AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of NFP Entities
- **Appendix K (New)** Guidance on AASB 16 Leases
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 - Updated relevant standards
- **Appendix M** Standards issued not yet effective
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Detailed changes

General Purpose Financial Statements (GPFS)		
Page	Reference	Additional changes between draft Code and Final Code #28
A-2	Introduction and overview	<ul style="list-style-type: none"> Replaced wording page A-3 under heading 'Authority of Code for Councils' point (d) from 'large Section 7.11' to 'developer'. Replaced wording page A-4 under heading 'Authority of Code for Joint Organisations' point (c) from 'large Section 7.11' to 'developer'.
A-12	Income Statement	<ul style="list-style-type: none"> Updated note number references.
A-14	Commentary – Income Statement and Statement of Comprehensive Income	<ul style="list-style-type: none"> Added guidance at point 13. <ul style="list-style-type: none"> If Council has an impairment on any of their investments, then this should be shown on the face of the Income Statement and described in the investment note.
A-16	Statement of Financial Position	<ul style="list-style-type: none"> Updated note number references. Added 'Restated' to the top heading of the far right column.
A-21	Commentary – Statement of Cash Flows	<ul style="list-style-type: none"> Added guidance – Leases. <ul style="list-style-type: none"> Short-term lease payments, payments for low-value assets and variable lease payments (not included in the measurement of the lease liability) should be disclosed in operating activities.
A-22	Contents of the Notes to the Financial Statements	<ul style="list-style-type: none"> Updated note names/numbers and corresponding page within the Code
A-27	Note 2(a) Functions or Activities	<ul style="list-style-type: none"> Added 2019 comparative columns for consistency.
A-30	Note 3(b) User charges and fees	<ul style="list-style-type: none"> Words added to guidance. <ul style="list-style-type: none"> The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.
A-35	Note 3(g) Disaggregation of revenue	<ul style="list-style-type: none"> Revenue recognition for streams of Council – table moved from beginning of Note 3 and reworked into Note 3(g).
A-36	Commentary - Revenue	<ul style="list-style-type: none"> Added guidance at point 8. <ul style="list-style-type: none"> If Council has material fees and charges or other revenue in the scope of AASB 15, then the following disclosures are required: <ol style="list-style-type: none"> information about its performance obligations with contracts with customers as required by paragraph 119. For example: <ul style="list-style-type: none"> a description of the performance obligations the significant payment terms the nature of the goods or services the council has promised to transfer obligations for returns refunds or similar obligations types of warranties and related obligations for performance obligations satisfied over time the methods used to recognise revenue and why these provide a faithful depiction of the transfer of goods or services (paragraph 124 of AASB 15).

		<ul style="list-style-type: none"> c) (c) r performance obligations satisfied at a point in time, the significant judgements in evaluating when a customer obtains control of a good or service (paragraph 125 of AASB 15). d) information about determining the transaction price and the amounts allocated to performance obligations (paragraph 126 of AASB 15).
A-38	Note 4 Interest and investment income	<ul style="list-style-type: none"> • Change of note order.
A-39	Note 5 Expenses from continuing operations	<ul style="list-style-type: none"> • Change of note order.
A-41	Note 5(d) Expenses from continuing operations	<ul style="list-style-type: none"> • Added commentary <ul style="list-style-type: none"> - Depreciation and amortisation – ‘Note 15 for Right of Use assets.’
A-49	Note 7(c) Restricted cash, cash equivalents and investments	<ul style="list-style-type: none"> • Added line items to separate by fund <ul style="list-style-type: none"> <i>Developer contributions:</i> <ul style="list-style-type: none"> - General fund - Water fund - Sewer fund <i>Specific purpose unexpended grants:</i> <ul style="list-style-type: none"> - General - Water fund - Sewer fund • Added guidance at point 3. <ul style="list-style-type: none"> - Disclose details of nature of external restrictions.
A-51	Note 8 Receivables	<ul style="list-style-type: none"> • Added guidance at point 4. <ul style="list-style-type: none"> - If Councils have material impairment provisions relating to revenue arising from contracts with customers, then these provisions should be separately disclosed.
A-58	Note 11 Infrastructure, property, plant and equipment commentary	<ul style="list-style-type: none"> • Added guidance at point 9. <ul style="list-style-type: none"> - Generally, land has an unlimited life, however Councils need to depreciate land if it is considered to have a finite life, for example being used for quarries or landfill.
A-67-68	Note 15 Leases	<ul style="list-style-type: none"> • Added in sub notes: <ul style="list-style-type: none"> a) Right-of-use assets b) Lease liabilities c) Income statement d) Statement of cash flows e) Operating leases f) Finance Leases. • Repositioning of Guidance on Extension options.
A-72	Note 16 Payables and borrowings	<ul style="list-style-type: none"> • Added line item ‘Prepaid rates’ to Payables.
A-89	Note 19 Statement of Cash Flows information	<ul style="list-style-type: none"> • Added line item ‘(Increase)/decrease in contract assets.’
A-111	Note 26 Fair value measurement	<ul style="list-style-type: none"> • In the table for significant unobservable inputs for level 3 assets: <ul style="list-style-type: none"> - Changed to refer to Cost / Market value for art.

Special Purpose Financial Statements (SPFS)		
Throughout		<ul style="list-style-type: none"> Update to the rate (27.5%) to the corporate taxation equivalent, which must be applied to the 'Surplus (deficit) from continuing activities before capital items' line item.
B-8	Statement of Financial Position	<ul style="list-style-type: none"> Additional line items due to new standards: <ul style="list-style-type: none"> - Contract assets - Contract cost asset - Right of use assets - Contract liabilities - Lease liabilities
B-12-13	Note 1 Significant accounting policies	<ul style="list-style-type: none"> Updated reference to 'DoI – Water Guidelines' to <i>Best Practice Management of Water Supply and Sewer Guidelines</i>.
JO Supplement		
Throughout		<ul style="list-style-type: none"> Changes due to new standards and consistent with changes to General Purpose Financial Statements.
D-6	Statement of Financial Position	<ul style="list-style-type: none"> Additional line items due to new standards: <ul style="list-style-type: none"> - Contract assets - Contract cost asset - Right of use assets - Contract liabilities - Lease liabilities
D-10	Note 2 Income	<ul style="list-style-type: none"> Revenue from contracts with customers AASB 15. Revenue recognised on receipt (not enforceable or no sufficiently specific performance obligations – AASB 1058).
D-13	Note 3 Expenses	<ul style="list-style-type: none"> Leases & Borrowing costs.
D-20	Note 8 Contract assets and liabilities	<ul style="list-style-type: none"> Note and guidance added.
D-22	Note 9 Leases	<ul style="list-style-type: none"> Note and guidance added.
D-29	Note 13 Changes in accounting policy	<ul style="list-style-type: none"> Note 13 Changes in accounting policy: <ul style="list-style-type: none"> - Due to adoption of AASB 15, AASB 1058 and AASB 16.
D-36-40	Guidance notes	<ul style="list-style-type: none"> Points added to Revenue Note 2 and Leases Note 9.
Appendices		
E22-26	Appendix H Guidance on AASB 10-12 – The consolidation suite of standards	<ul style="list-style-type: none"> Minor amendments to add additional guidance / clarity. <ul style="list-style-type: none"> - AASB 128 Interests in Associates and Joint Ventures. - AASB11: Joint arrangements.
E27-32	Appendix I Guidance on AASB124 Related Party Disclosures	<ul style="list-style-type: none"> Minor amendments to add additional guidance / clarity. Point 7. Review existing disclosures, i.e. pecuniary interest returns, annual reports – examples added.

E-34	Appendix J Guidance on AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of NFP Entities.	<ul style="list-style-type: none"> • New.
E-47	Appendix K Guidance on AASB 16 Leases.	<ul style="list-style-type: none"> • New.
E-57	Appendix L New standards adopted during the year ended 30 June 2020	<ul style="list-style-type: none"> • Updated for relevant standards.
E-60	Appendix M Standards issued not yet effective	<ul style="list-style-type: none"> • The following pronouncements are issued but not yet effective and are not expected to have relevance to councils but have been included for completeness: <ul style="list-style-type: none"> - AASB 17 Insurance Contracts and associated amendments - AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a business - AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material - AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform - AASB 2019 – 5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia - AASB 2019 – 7 Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP / GFS Reconciliations