

Code of Accounting Practice and Financial Reporting (Update 26) Proposed changes 2017-18

Key changes

- Removed the requirement to include nil Notes and nil line items.
- Highlighted that this is the minimum requirement and that Councils can add more information if meaningful to end users.
- Moved accounting policies from Note 1 to respective Statements and Notes.
- Repositioned and renumbered Notes 9 to 28
- Made illustrative narrative generic to emphasise that examples are illustrative only.
- Removed the statement giving Councils the option to continue to recognise or not to recognise Rural Fire Services Assets – further guidance will be forthcoming in the Final Code.
- Recommended that IP&R functions or activities be disclosed in Note 2.
- Separated cash and non-cash contributions disclosures in Note 3(f).
- Moved disclosure of fair value increments and decrements from Notes 3 & 4 to Income Statement.
- Reduced disclosures on restricted assets (Notes 6,7 and 8).
- Recommended straight line depreciation method be used.
- Improved guidance on depreciation, revaluations and restrictions (community land and land under roads) for infrastructure, property, plant and equipment (IPPE).
- Removed the requirement to disclose restricted IPPE (previously Note 9(b)).
- Added a table in Note 13-Payables and borrowings to disclose changes in liabilities arising from financing activities. Moved (d) Financing arrangements disclosures from Note 16 and added drawn and undrawn facilities disclosures.
- Renamed Note 15-Accumulated surplus (previously Retained earnings), revaluation reserves, changes in accounting policies, changes in accounting estimates and errors and added third balance sheet and additional error disclosure example.
- Renamed Note 16-Statement of cashflow information (previously Reconciliation of operating results to net cash movement from operating activities).
- Removed Special Schedule 2-Statement of Long Term debt and included internal loans disclosures in Note 13.
- Repositioned Special Schedule 8-Permissible Income to Special Schedule 2.
- Moved some accounting practice and policy guidance from the General Purpose Finance Statements to Appendix E-OLG Accounting practice and policy guidance
- Added further guidance on materiality in Appendix I-Guidance on AASB 124 Related Party Disclosures.
- New councils proclaimed on 12 May 2016 will adopt AASB 124 (comparatives not required). Existing Councils will require to disclose comparatives.
- Updated Appendix J-New standards, Appendix K-Standards issued not yet effective and Appendices L-Significant changes to 2018/19 Code due to accounting standards changes.

Detailed changes

Disclosures and guidance that has been removed from the Code is shown in green font

General Purpose Financial Statements		
Page	Reference	Change
All	All	<ul style="list-style-type: none"> Made clearer that illustrative examples are examples only. Reference to appendix guidance in relevant notes where the guidance exists.
A-3	Other information	<ul style="list-style-type: none"> Further advice will follow on Rural Fire Service Assets in the Final Code: <i>Councils have the option to continue to recognise or not to recognise Rural Fire Services assets in their accounts until such time as the control issue is agreed upon with the Rural Fire Service.</i>
A-5	Contents	<ul style="list-style-type: none"> Removed the requirement to include all line items and Notes. Notes and line items need only be added if applicable. Added guidelines regarding the inclusion of additional information.
A-10	Income Statement	<ul style="list-style-type: none"> Added extra borders at the bottom of the statement to differentiate the operating result from the result before capital grants. Added the words 'unaudited' at the top of the budget column. Added separate line item on the face of the Income statement for fair value increments on investment property in other income and fair value decrement on investment property in expenses. Removed from 3d and 4e.
A-12 A-13	Income Statement and Statement of Comprehensive Income commentary	<ul style="list-style-type: none"> Amended No. 5 to say that analysis of discontinued operations is to be presented in the Note. Added to No. 7(g) : <i>* Amounts which may be relevant to Councils.</i> Added No. 8 <i>The share of other comprehensive income of associates and joint ventures accounted for using equity method; and other comprehensive income from discontinued operation should be included in the Statement of Comprehensive Income if relevant.</i> Added No. 11 <i>Each material class of income and expense should be separately disclosed and unclassified income and expenses should be immaterial both individually and in aggregate.</i> Amended No. 12 to say that reclassification adjustments disclosures are in the notes to the financial statements.
A-15	Statement of Financial Position	<ul style="list-style-type: none"> Changed 'Retained Earnings' to 'Accumulated Surplus'.
A-16 No.4	Statement of Financial Position commentary	<ul style="list-style-type: none"> Removed: <i>AASB101(68) - Operating cycle - The operating cycle of a council is the time between the acquisition of assets for processing and their realisation in cash or cash equivalents. When the council's normal operating cycle is not clearly identifiable, its duration is assumed to be 12 months.</i>
A-17	Statement of Changes in Equity	<ul style="list-style-type: none"> Changed 'Retained Earnings' to 'Accumulated Surplus'. Added extra line item 'Transfers between equity items' Removed Note 15 reconciliations as it just repeats the information.

A-18	Statement of Changes in Equity commentary	<ul style="list-style-type: none"> Amended No. 3 to say that the reconciliation of changes shall also be shown separately in the Statement of Changes in Equity.
A-19	Statement of Cashflows	<ul style="list-style-type: none"> Added the words '<i>original unaudited</i>' as the head of the budget column.
A-20	Statement of Cashflows commentary	<ul style="list-style-type: none"> Removed: <i>No. 9 Additional recommended disclosures</i>
A-21	Notes to the Financial Statements	<ul style="list-style-type: none"> Realigned the Notes as recommended by AASB 101 which requires an entity, as far as practicable, to present notes in a systematic manner. Refer to Appendix 1 – Old to new Note numbers.
A-22- A-23	Note 1 – Basis for preparation	<ul style="list-style-type: none"> Renamed Note 1 (previously Statement of Accounting Policies). Moved accounting policies where relevant to the associated Notes. New sub-heading: Monies and property received by Council (a) The Consolidated Fund (b) Trust fund. Added Trust funds example: <i>The following Trust monies and properties are held by Council but not considered to be under the control of Council and therefore are excluded from these financial statements: Provide details of any such monies / properties, delete if not applicable.</i> Internal management guidance on Investment Policy has been moved to the Appendices. Rural Fire Services Assets policy moved to relevant Note except for <i>option to recognise/not to recognise</i>. This has been removed pending further advice. Added a reference to where more detailed information is provided for critical estimates and judgements. Added words that the basis of preparation should include information that it is prepared in \$'000 and in AUD. Added (d) employee benefits as a critical estimate and included reference to note 14. Added a statement regarding trust monies held but not controlled and the details of these.
A-24 – A-26	Note 1 - Basis of preparation commentary	<ul style="list-style-type: none"> Added No. 1: <i>Significant accounting policies must be added in the financial statements; these have been added with the relevant note and should provide the following information...</i> Moved commentary to the associated Note. Added 18 – Non-consolidation of Trust Funds.
A-27	Note 2 Functions or activities	<ul style="list-style-type: none"> Recommend that Councils disclose IP&R functions rather than what is illustrated, where possible. Added the words '<i>unaudited</i>' as the head of the budget columns. Removed the requirement to report prior year.
A-29	Note 2 Functions or activities commentary	<ul style="list-style-type: none"> Recommend that Councils disclose functions or activities from Councils Integrated Planning and Reporting or Delivery Program and as such: <ul style="list-style-type: none"> removed the requirement to include Governance functions and activities in this Note (removed commentary 5. and last sentence in 6.).

A-32	Note 3(d) Other Revenue	<ul style="list-style-type: none"> Removed: <i>'fair value increments - investment property'</i> and added it to the Income Statement. Removed: <i>'Miscellaneous sales' and ' Other charges for overdue rates and charges'</i> Added policy wording that clarifies that each material other revenue stream has an accounting policy.
A-33	Note 3(e) Grants	<ul style="list-style-type: none"> Amended the accounting policy wording to say <i>'that Councils are entitled to the grant'</i>.
A-34	Note 3(f) Contributions	<ul style="list-style-type: none"> Separated cash and non-cash contributions.
A-36	Note 3 Income commentary	<ul style="list-style-type: none"> Added No. 10 <i>If rental income for Council is material then Council should refer to the commentary in Note 18 and include a lessor rental commitment note</i>
A-38	Note 4(a) Employee Benefits and Oncosts & (b) Borrowing Costs	<ul style="list-style-type: none"> Removed line items <i>'Travel' & 'Training'</i>.
A-39	Note 4(c) Materials and contracts	<ul style="list-style-type: none"> Added line item <i>'less capitalised costs'</i>.
A-40	Note 4(d) Depreciation amortisation and impairment	<ul style="list-style-type: none"> Made consistent with Note 10 – IPPE.
A-41	Note 4(e) Other expenses	<ul style="list-style-type: none"> Removed: <i>'fair value decrements - investment property'</i> and added it to the Income Statement.
A-43	Note 4 - Expenses commentary	<ul style="list-style-type: none"> Moved the following to new Appendix E: <i>A council must not enter into a contract for the acquisition of goods or services without an approved order, except in the following circumstances:</i> <ul style="list-style-type: none"> (a) <i>contracts made out of petty cash advances</i> (b) <i>contracts resulting from credit/procurement cards that have been approved by Council and are within authorised terms and conditions</i> (c) <i>recurring contracts where an order in writing has been previously made.</i>
A-44	Note 5 Gain or loss from disposal of assets	<ul style="list-style-type: none"> Added category for real estate held for sale.
A-49 A-50	Note 6(c) - Restrictions of cash, cash equivalents and investments	<ul style="list-style-type: none"> Reduced discloses on restrictions.
A-50	Note 6(c) - Restrictions of cash, cash equivalents and investments commentary	<ul style="list-style-type: none"> Moved information regarding investment register (previously No.3-5) to Appendix E.
A-51 A-52	Note 7 Receivables and commentary	<ul style="list-style-type: none"> Reduced restricted receivables disclosures. Added <i>3. If impairment of receivables is material, then Councils should include a reconciliation of bad debt provisions for the current and comparative periods.</i>
A-53	Note 8 Inventories	<ul style="list-style-type: none"> Stores, materials and/or trading stock are disclosed as one line item. Reduced disclosures for externally restricted inventories and other assets.

A-58	Note 10 Infrastructure Property Plant and Equipment (IPPE)	<ul style="list-style-type: none"> Added the following to accounting policy: <i>Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).</i> <i>[Councils should include the useful lives used for each class of infrastructure, property, plant and equipment disclosed in the movement table based on their internal policies.]</i> Added guidance on useful lives policy. Removed the requirement to disclose the Restricted IPPE (previously Note 9(b))
A-59 A-60	Note 10(a) Infrastructure, property, plant and equipment commentary	<ul style="list-style-type: none"> Added additional guidance on depreciation 6. 7. and 9. Added additional guidance in No.10 Revaluation and changed the word from independent to comprehensive revaluation. Removed the 5-year revaluation of IPPE table and replaced with a blank table for Councils to populate including the last valuation done and the next valuation due.
A-66 A-67	Note 13 – Payables and borrowings	<ul style="list-style-type: none"> Removed '<i>self-insurance liabilities</i>' from Liabilities relating to restricted assets. Moved the provisions disclosures to Note 14 Provisions. Moved line items '<i>ratepayers advances</i>' and '<i>government advances</i>' from '<i>Borrowings</i>' to '<i>Income received in advance</i>'. Added table (c) Changes in liabilities arising from financing activities. Moved (d) Financing arrangements from Note 16 Statement of cashflow information and added drawn and undrawn facilities disclosures. Added the table of internal loans moved from SS2.
A-69 A-71	Note 13 - Liabilities commentary	<ul style="list-style-type: none"> 2&3 added definition of constructive obligation. Removed guidance on '<i>Post employment benefits</i>'. 21-24 added commentary on AASB 107.44A changes in liabilities arising from financing activities.
A-72 A-76	Note 14 Provisions and commentary	<ul style="list-style-type: none"> Renamed the Note '<i>Reinstatement, rehabilitation and restoration liabilities</i>' to '<i>Provisions</i>' and added provisions disclosures and commentary. Added No. 20 guidance on remediation provision.
A-77 A-78	Note 15 Accumulated surplus revaluation reserves, changes in accounting policies, accounting estimates and errors	<ul style="list-style-type: none"> Changed the name of the Note from '<i>Retained earnings</i>' to '<i>Accumulated surplus</i>'. Removed reconciliations. Error disclosure has been expanded. Added a third balance sheet.
A-81 A-82	Note 16 Statement of cashflows information and commentary	<ul style="list-style-type: none"> Renamed the Note previously called '<i>Reconciliation of operating result to net cash movement from operating activities</i>'. Moved (d) Financing arrangements to Note 13 Borrowings. Removed bank guarantees as this is already disclosed in Note 19. Added commentary for 16(c) Non-cash financing and investing activities.
A-94	Note 18 - Commitments commentary	<ul style="list-style-type: none"> Added No. 13 extra disclosure of rental income.
A-95	Note 19 Contingencies	<ul style="list-style-type: none"> Moved information about s94 contingencies to Note 26 Statement of Developer Contributions.

A-98 A-100	Note 20 Financial risk management and commentary	<ul style="list-style-type: none"> Note 20(b) Credit Risk - added headings for rates and annual charges and other receivables and changed to tabular format. Note 20(c) Liquidity Risk – combined two tables into one. Commentary No. 6 prescribed that Quantitative disclosures are to be presented in narrative form. Added additional guidance to No 23 Financing arrangements.
A-114 No. 6	Note 24 - Related Party disclosures commentary	<ul style="list-style-type: none"> Added: <i>Ensure that materiality is considered as part of the disclosure and whether the disclosures will affect the decisions of the users – refer Appendix H.</i>
A-115	Note 25 Events occurring after reporting date	<ul style="list-style-type: none"> Added extra example (b).
A-117 A-119	Note 26 – Statement of developer contributions commentary	<ul style="list-style-type: none"> Removed the cumulative balance of internal borrowings. Moved to Appendix E commentary on general principals and accounting for developer contributions.
A-122	Results by fund commentary	<ul style="list-style-type: none"> Added additional guidance 4. and 5.
A-123	Note 28(a) Statement of performance measures – consolidated results	<ul style="list-style-type: none"> Removed the requirement to provide indicators for three years. Now only required for current and prior year.
A-123- A-127	Note 28 Statement of Performance Measures and Commentary	<ul style="list-style-type: none"> Added Regional Councils to the benchmark for rates and annual charges outstanding percentage <10%. <ul style="list-style-type: none"> Amended commentary to clarify that the Statement of performance measures-consolidated should include all results from Council. If Councils want to include more years, they can.
Special Purpose Financial Statements		
B-1	Requirements	<ul style="list-style-type: none"> Councils with no other business activities are no longer required to include a statement.
Special Schedules		
C-7	Special Schedule 2 Statement of Long term Debt	<ul style="list-style-type: none"> Removed previous Special Schedule 2 and included table of internal loans in Note 13. Moved Special Schedule 8 and renamed Permissible Income to Special Schedule 2-Permissible income.
C-15- C-16	Special Schedule 7 (SS7) – Reporting on infrastructure property plant and equipment	<ul style="list-style-type: none"> Minor amendment to IP&R Condition table Removed the requirement to provide indicators for three years. Now only required for current and prior year.
C-19- C-24	SS7 commentary	<ul style="list-style-type: none"> As above. Reworded information regarding the auditing of infrastructure asset to advise of continuing implementation. Commentary. Table A1-Examples of maintenance and operational activities. Added example costs and activities for ‘Other infrastructure assets’.

Appendices		
D-6 D-7	Appendix E OLG Accounting Practice and policy guidance	<ul style="list-style-type: none"> Added information which was removed from GPFS as follows: <i>A. Statement of Developer Contributions;</i> <i>B. OLG Investment Policy and</i> <i>C Material Contracts.</i>
D-25- D-30	Appendix H – Guidance on AASB 124 Related Party Disclosures	<ul style="list-style-type: none"> Added advice to new councils that there is no requirement to include comparatives. Added further guidance on materiality.
D-31	Appendix I – New standards adopted during the year	<ul style="list-style-type: none"> AASB 2016 <i>1 Amendments to Australian Accounting Standards Recognition of Deferred Tax Assets for Unrealised Losses</i> <i>2 Disclosure Initiative - Amendment to AASB 107</i> <i>4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-For-Profit Entities.</i> AASB 2017 <i>2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014 – 2016 cycle.</i> AASB124 <i>New councils to adopt.</i>
D-32- D-37	Appendix J – Standards issued not yet effective	<ul style="list-style-type: none"> Refer to Appendix J for detailed information.
D-38	Appendix K – Significant changes to 2018/19 Code due to accounting standards changes	<ul style="list-style-type: none"> AASB 9 <i>Financial Instruments.</i> AASB 2017-1 <i>Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments [AASB 1, AASB 128, AASB 140].</i> AASB 2014 – 10 <i>Sale or contribution of Assets between an Investor and its Associate or Joint Venture (note this will most likely be removed prior to code issue since deferral expected).</i>
Other Changes		
<ul style="list-style-type: none"> Removed most footnotes and either moved them into commentary or deleted them based on relevance. 		

APPENDIX 1

Code of Accounting Practice and Financial Reporting (Update 26) Old to new note numbers

2016-17		2017-18	
Note 1	Summary of significant accounting policies	Note 1	Basis of preparation
Note 2(a)	Functions or activities	Note 2(a)	NO CHANGE
Note 2(b)	Components of functions or activities	Note 2(b)	NO CHANGE
Note 3	Income from continuing operations	Note 3	NO CHANGE
Note 4	Expenses from continuing operations	Note 4	NO CHANGE
Note 5	Gain or loss from disposal of assets	Note 5	NO CHANGE
Note 6(a)	Cash and cash equivalents	Note 6(a)	NO CHANGE
Note 6(b)	Investments	Note 6(b)	NO CHANGE
Note 6(c)	Restricted cash, cash equivalents and investments	Note 6(c)	NO CHANGE
Note 7	Receivables	Note 7	NO CHANGE
Note 8	Inventories and other assets	Note 8	NO CHANGE
Note 9(a)	Infrastructure, property, plant and equipment	Note 10(a)	Infrastructure, property, plant and equipment
Note 9(b)	Restricted infrastructure, property, plant and equipment		REMOVED
Note 10(a)	Payables, borrowings and provisions	Note 13	Payables, borrowings
Note 10(b)	Description of and movements in provisions		MOVED TO NOTE 14
Note 11	Reconciliation of operating result to net cash movement from operating activities	Note 16	Statement of cashflow information
Note 12	Commitments	Note 18	Commitments
Note 13(a)	Statement of performance measures – consolidated results	Note 28(a)	Statement of performance measures – consolidated results
Note 13(b)	Statement of performance measures by fund	Note 28(b)	Statement of performance measures by fund
Note 14	Investment properties	Note 11	Investment properties
Note 15	Financial risk management	Note 20	Financial risk management
Note 16	Material budget variations	Note 21	Material budget variations
Note 17	Statement of developer contributions	Note 26	Statement of developer contributions
Note 18	Contingencies	Note 19	Contingencies
Note 19	Interests in other entities	Note 17	Interests in other entities
Note 20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	Note 15	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors
Note 21	Results by fund	Note 27	Results by fund
Note 22	Non-current assets classified as held for sale	Note 9	Non-current assets classified as held for sale
Note 23	Events occurring after Statement of Financial Position date	Note 25	Events occurring after Statement of Financial Position date
Note 24	Discontinued operation	Note 22	Discontinued operation
Note 25	Intangible assets	Note 12	Intangible assets
Note 26	Reinstatement, rehabilitation and restoration liabilities	Note 14	Provisions
Note 27	Fair Value Measurement	Note 23	Fair Value Measurement
Note 28	Related Party Transactions	Note 24	Related Party Transactions