

## Code of Accounting Practice and Financial Reporting (Update 27) Summary of changes 2018-19

### Key changes

Draft Code #27 changes (since release of final Code #26)	Additional changes between draft Code and Final Code #27
<ul style="list-style-type: none"> <li>• <b>Introduction</b> - Condensed Note for Merged Councils. Only required to complete Permissible Income disclosure.</li> <li>• <b>Note 1</b> - New accounting standards adopted during the year – discussed in Note 15.</li> <li>• <b>Note 3(a)</b> – Pensioner subsidies and rebates repositioned from 3(e) grants.</li> <li>• <b>Note 3</b> - commentary - Income – Added guidance at 28. Volunteer services.</li> <li>• <b>Note 6,7 and 8</b> – Accounting Policy changes - AASB 139, AASB 9</li> <li>• <b>Note 13</b> – Added comparatives table and guidance.</li> <li>• <b>Note 15(c)</b> - Changes in accounting policy due to adoption of new accounting standards. Includes transaction adjustments and classification of financial assets and financial liabilities.</li> <li>• <b>Note 16</b> – Reordered to better match Statement of Financial Position.</li> <li>• <b>Removed Note 2</b> – Water supply business best-practice management disclosure requirements. Data to be collected through the Financial Data Return (FDR) for the purposes of DoI Water reporting.</li> <li>• <b>Removed Note 3</b> – Sewerage business best-practice management disclosure requirements. Data to be collected through the Financial Data Return (FDR) for the purposes of DoI Water reporting.</li> <li>• <b>Removed Special Schedule 1</b> – Net cost of services. Data to be collected through the Financial Data Return (FDR) for the purposes of the Grants Commission.</li> <li>• <b>Removed Special Schedule 3</b> – Water supply Income Statement. Data to be collected through the</li> </ul>	<p><b>General Purpose Finance Statements (GPFS)</b></p> <ul style="list-style-type: none"> <li>• <b>Introduction</b> - Added guidance on JO Supplement and on materiality.</li> <li>• <b>Commentary - Statement by Councillors and Management</b> – Added additional guidance.</li> <li>• <b>Statement of Comprehensive Income</b> - Added line item.</li> <li>• <b>Commentary - Income Statement and Statement of Comprehensive Income</b> - Added guidance at 2. Additional line items.</li> <li>• <b>Statement of Cashflows</b> - Added line items.</li> <li>• <b>Note 1 Basis for preparation</b> – Added additional guidance.</li> <li>• <b>Note 1 Basis for preparation commentary</b> – Added additional guidance.</li> <li>• <b>Note 3(a) Income from continuing operations</b> – Added line items and guidance.</li> <li>• <b>Note 3(c) Interest and Investment Revenue</b> - Extended abbreviations and added guidance on accounting policy.</li> <li>• <b>Note 3(d) Other revenues</b> - deleted line item ‘Computer bureau income’.</li> <li>• <b>Note 3(e) Grants</b> - Added line item breakdowns in relation to Financial Assistance Grants.</li> <li>• <b>Note 3 Income commentary</b> – Added guidance at 29. Volunteer services.</li> <li>• <b>Note 4(d) Materials and contracts</b> – Auditors’ remuneration - wording changed.</li> <li>• <b>Note 4(d) Depreciation amortisation and impairment of intangible assets and IPPE</b> - Removed impairment of investments. Updated accounting policy guidance on Impairment of financial and non-financial assets.</li> <li>• <b>Note 5 Gain or loss from the disposal, replacement and de-recognition of assets</b> - note name changed. Replaced words ‘financial assets’ with ‘investments’.</li> <li>• <b>Note 6(b) - Investments</b> - Updated accounting policy for investments on impairment of financial assets.</li> <li>• <b>Note 7 Receivables</b> – Removed line items.</li> <li>• <b>Note 8 Inventories and other assets</b> - Removed line items.</li> <li>• <b>Note 10 – Infrastructure property Plant and Equipment (IPPE) Commentary</b> - Added guidance at 12.</li> <li>• <b>Note 13 Payables</b> - Deleted line items/sections and renamed subsections.</li> <li>• <b>Note 14 Provisions</b> - Deleted line item ‘Restricted provisions’</li> <li>• <b>Note 15 Accumulated surplus etc.</b> – <ul style="list-style-type: none"> <li>- Added instruction at section (b).</li> </ul> </li> </ul>

<p>Financial Data Return (FDR) for the purposes of DoI Water reporting.</p> <ul style="list-style-type: none"> <li>• <b>Removed Special Schedule 4</b> – Water supply – Statement of Financial Position. Data to be collected through the Financial Data Return (FDR) for the purposes of DoI Water reporting.</li> <li>• <b>Removed Special Schedule 5</b> – Sewerage Income Statement. Data to be collected through the Financial Data Return (FDR) for the purposes of DoI Water reporting.</li> <li>• <b>Removed Special Schedule 6</b> – Sewerage service – Statement of Financial Position. Data to be collected through the Financial Data Return (FDR) for the purposes of DoI Water reporting.</li> <li>• <b>Investment policy guidance</b> - Moved to Appendix A, under Investment Order.</li> <li>• <b>Updated Appendix J</b> - New standards, Appendix K - Standards issued not yet effective.</li> <li>• <b>Updated Appendix L</b> - Significant changes to 2018-19 Code due to accounting standards changes. AASB 15 and AASB 1058, AASB 16.</li> </ul>	<ul style="list-style-type: none"> <li>- Notes to the table: wording changed in (i) and (ii).</li> <li>• <b>Note 16 Statement of Cashflows information</b> - <ul style="list-style-type: none"> <li>- Moved order to better match the Statement of Financial Position.</li> <li>- Replaced words 'doubtful debts' with 'impairment of receivables'</li> </ul> </li> <li>• <b>Note 18 Commitments commentary</b> – Heading changed at 11.</li> <li>• <b>Note 20 Financial risk management</b> – Adjusted formatting and wording.</li> <li>• <b>Note 20 Financial risk management commentary</b> <ul style="list-style-type: none"> <li>- Paragraphs deleted.</li> <li>- Remaining paragraphs renumbered.</li> </ul> </li> <li>• <b>Note 23 Fair value measurement</b> - Updates to Level 3 measurements table.</li> <li>• <b>Note 28 Statement of performance measures</b> <ul style="list-style-type: none"> <li>- Operating Expenses footnote added.</li> <li>- Operating Income footnote amended.</li> </ul> </li> </ul> <p><b>Special Purpose Financial Statements (SPFS)</b></p> <ul style="list-style-type: none"> <li>• <b>Income Statement of water supply, sewerage and other</b> <ul style="list-style-type: none"> <li>- Changed 'Retained earnings' to 'Accumulated surplus' for consistency with Statement of Financial Position.</li> </ul> </li> <li>• <b>Note 1 Significant accounting policies</b> <ul style="list-style-type: none"> <li>- Disclose threshold for Declared Business activities table &gt;\$2M, &lt;\$2M</li> </ul> </li> </ul> <p><b>Special Schedules (SS)</b></p> <ul style="list-style-type: none"> <li>- Removed old references to number schedules.</li> </ul> <p><b>JO Supplement</b> – Added as section D of the Code.</p> <p><b>Appendices</b></p> <ul style="list-style-type: none"> <li>- Moved to section E of the Code</li> <li>- Various updates to Appendices F, G, K and L.</li> </ul>
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## Detailed changes

General Purpose Financial Statements		
Page	Reference	Additional changes between draft Code and Final Code #27
A-2	Introduction and overview	<ul style="list-style-type: none"> <li>Added guidance on the JO Supplement to the Code <ul style="list-style-type: none"> <li>Joint Organisation Supplement to Local Government Code of Accounting Practice and Financial Reporting (JO Code supplement) applies to each new Joint Organisation (JO) in respect of its general purpose financial statements. Special purpose financial statements and special schedules in sections B and C of the Code are not required for JOs.</li> <li>The JO Code Supplement (Section D of the Code) should be used rather than Section A where the transaction / balance is included with the Supplement. Where the JO has a balance / transaction not covered by the Supplement then the relevant accounting and disclosures from Section A should be used (for example – intangible assets, employees under defined benefit plans).</li> </ul> </li> <li>Added Note regarding guidance on materiality. <ul style="list-style-type: none"> <li>In considering materiality for financial statement purposes, councils should refer to AASB Practice Statement 2, <i>Making Materiality Judgements</i>.</li> </ul> </li> </ul>
A-10	Commentary – Statement by Councillors and Management	<ul style="list-style-type: none"> <li>Added additional commentary: <ul style="list-style-type: none"> <li>The Local Government Act requires a Council resolution prior to the financial statements being sent to audit.</li> <li>If there are significant changes between the financial statements presented to audit and the final audited statements, then the council should consider whether it is appropriate for the financial statements to be approved by the elected Council again as part of the governance process.</li> </ul> </li> </ul>
A-12	Statement of Comprehensive Income	<ul style="list-style-type: none"> <li>Added line item: <ul style="list-style-type: none"> <li>Gain (/loss) on revaluation of equity instruments through other comprehensive income.</li> </ul> </li> </ul>
A-13	Commentary – Income Statement and Statement of Comprehensive Income	<ul style="list-style-type: none"> <li>Added Note at point 2. Additional line items: <ul style="list-style-type: none"> <li>Councils should present headings only when they are relevant to the balances and transactions.</li> </ul> </li> </ul>
A-20	Statement of Cashflows	<ul style="list-style-type: none"> <li>Added line items: <ul style="list-style-type: none"> <li>intangibles</li> <li>investments property, and</li> <li>comment next to 'other' to specify if material.</li> </ul> </li> </ul>
A-23 - A-24	Note 1 – Basis for preparation	<ul style="list-style-type: none"> <li>Deleted reference to 'estimated' under part (c) <i>Critical accounting estimates and assumptions</i>.</li> <li>Added comment - The Consolidated Fund has been included in the financial statements of the council.</li> <li>Added comment – Information on new accounting standards and interpretations can be found in Appendix J</li> <li>Guidance added on new accounting standards adopted during the year.</li> </ul>
A-25 –A-27	Note 1 - Basis of preparation commentary	<ul style="list-style-type: none"> <li>Added the following statement under significant judgements 7. <ul style="list-style-type: none"> <li>(d) Whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li> </ul> </li> <li>Guidance added on new accounting standards adopted during the year.</li> </ul>

A-30	Note 3(a) Income from continuing operations	<ul style="list-style-type: none"> <li>Deleted words 'Pensioner rate subsidies'</li> <li>Added the following highlighted words <ul style="list-style-type: none"> <li>- Rates levied to ratepayers</li> <li>- Pensioner rate subsidies received</li> </ul> </li> <li>Added guidance in 'Accounting policy for rates and charges'.</li> </ul>
A-32	Note 3(c) Interest and Investment Revenue	<ul style="list-style-type: none"> <li>Extended abbreviation of FVTPL to fair value through profit and loss</li> <li>Extended abbreviation of FVOCI to fair value through other comprehensive income</li> <li>Added guidance in 'Accounting policy for interest and investment revenue'.</li> </ul>
A-33	Note 3(e) Grants	<ul style="list-style-type: none"> <li>Added line item breakdowns in relation to Financial Assistance Grants <ul style="list-style-type: none"> <li>- Relating to current year</li> <li>- Prepayment received in advance for subsequent year</li> <li>- Amount recognised as income during current year.</li> </ul> </li> </ul>
A-38	Note 3 Income commentary	<ul style="list-style-type: none"> <li>29. Added guidance on Volunteer services.</li> </ul>
A-40	Note 4(c) Materials and contracts	<ul style="list-style-type: none"> <li>Auditor's remuneration - changed wording.</li> </ul>
A-41	Note 4(d) Depreciation amortisation and impairment of intangible assets and IPPE	<ul style="list-style-type: none"> <li>Removed impairment of investments - Now a requirement to disclose them on the face of the income statement</li> <li>Added accounting policy guidance - Impairment of non-financial assets</li> <li>Deleted accounting policy guidance - Impairment of financial assets.</li> </ul>
A-44	Note 4 - Expenses commentary	<ul style="list-style-type: none"> <li>Added commentary No. 9 Other expenses: <ul style="list-style-type: none"> <li>- Disclosure of cost of sales is and contributions / levies to other levels of government are the only mandatory line items if relevant to councils. Other expense items are just shown as illustrations, Councils should provide a relevant breakdown of other expenses which reflect their transactions.</li> </ul> </li> </ul>
A-45	Note 5 Gain or loss from the disposal, replacement and de-recognition of assets	<ul style="list-style-type: none"> <li>Changed note name.</li> <li>Replaced 'financial assets' with 'investments'.</li> </ul>
A-47	Note 6(b) - Investments	<ul style="list-style-type: none"> <li>Updated accounting policy for investments on impairment of financial assets.</li> </ul>
A-52	Note 7 - Receivables	<ul style="list-style-type: none"> <li>Removed line items: <ul style="list-style-type: none"> <li>- Restricted/unrestricted receivables</li> <li>- Externally restricted receivables</li> <li>- Unrestricted receivables</li> <li>- Total receivables.</li> </ul> </li> </ul>
A-55	Note 8 - Inventories	<ul style="list-style-type: none"> <li>Removed line items relating to 'External restricted/unrestricted inventories and other assets'.</li> </ul>
A-62	Note 10 - Infrastructure, property, plant and equipment commentary	<ul style="list-style-type: none"> <li>Added: 12. <ul style="list-style-type: none"> <li>- Council assets not held primarily for their ability to generate net cash inflows are typically specialised assets held for continuing use of their service capacity. Where these assets are held at fair value and assessed each year to determine whether the carrying amount is materiality different from the fair value then they are no longer subject to the requirements of AASB 136.</li> <li>- If a particular asset is considered to have suffered a decline in fair value, due to, for example storm damage, then this will not mean that all other assets in the class are subject to a</li> </ul> </li> </ul>

		comprehensive revaluation since they are already being reviewed on an annual basis to compare carrying amount to fair value with adjustments made as necessary.
A-68 - A-70	Note 13 – Payables and borrowings	<ul style="list-style-type: none"> <li>• Deleted section (a) Restricted and unrestricted payables and borrowings Liabilities relating to restricted assets <ul style="list-style-type: none"> <li>- renamed section (b) to section (a)</li> <li>- renamed section (c) to section (b)</li> <li>- renamed section (d) to section (c)</li> </ul> </li> <li>• (c) Financing arrangements <ul style="list-style-type: none"> <li>- Removed previously added line items on 'First mortgages and Floating charges'.</li> </ul> </li> </ul>
A-73	Note 14 Provisions	<ul style="list-style-type: none"> <li>• Deleted line item 'Restricted provisions'</li> </ul>
A-78 - A-83	Note 15 Accumulated surplus revaluation reserves, changes in accounting policies, accounting estimates and errors	<ul style="list-style-type: none"> <li>• Added instruction at section (b) Correction of errors in previous years: <ul style="list-style-type: none"> <li>- / revaluation reserve [delete as appropriate depending on error].</li> </ul> </li> <li>• Notes to the table: <ul style="list-style-type: none"> <li>- (i) replaced the words 'financial asset' with 'available for sale investment revaluation'.</li> <li>- (ii) replaced the words 'financial asset' with FVOCI.</li> </ul> </li> </ul>
A-86	Note 16 Statement of cashflows information and commentary	<ul style="list-style-type: none"> <li>• Movement of operating assets and liabilities – <ul style="list-style-type: none"> <li>- Moved order around to better match the Statement of Financial Position.</li> <li>- Replaced the words 'doubtful debts' with 'impairment of receivables'.</li> </ul> </li> </ul>
A-98	Note 18 - Commitments commentary	<ul style="list-style-type: none"> <li>• Changed heading at 11. From '<i>Finance leases in the financial statements of lessees: Sublease payments</i>' to '<i>Sublease payments</i>'.</li> </ul>
A-103	Note 20 Financial risk management	<ul style="list-style-type: none"> <li>• Formatting and wording of Note adjusted.</li> </ul>
A-107 – A-109	Note 20 Financial risk management Commentary	<ul style="list-style-type: none"> <li>• Paragraphs deleted: <ul style="list-style-type: none"> <li>- Credit risk</li> <li>- Allowance account</li> <li>- Impairment of financial assets</li> <li>- Renegotiated financial assets that would otherwise be past due or impaired</li> <li>- Fair value disclosures</li> </ul> </li> <li>• Remaining paragraphs renumbered.</li> </ul>
A-113	Note 23 Fair value measurement	<ul style="list-style-type: none"> <li>• Level 3 measurements table – <ul style="list-style-type: none"> <li>- Various updates to Class, Valuation technique(s) and Unobservable inputs.</li> </ul> </li> </ul>
A-124	Note 27 Results by fund	<ul style="list-style-type: none"> <li>• Added words at top of Note 'Assets and liabilities shown in the water and sewer columns are restricted for use for these activities'.</li> </ul>
A-127- A-131	Note 28 Statement of performance measures and Commentary	<ul style="list-style-type: none"> <li>• Operating Expenses footnote added: <ul style="list-style-type: none"> <li>- '<i>Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates</i>'</li> </ul> </li> <li>• Operating Income footnote amended: <ul style="list-style-type: none"> <li>- '<i>Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net gain on share of interests in joint ventures and associates</i>'.</li> </ul> </li> </ul>

<b>Special Purpose Financial Statements (SPFS)</b>		
B-5 – B7	Income Statement of water supply, sewerage and other	<ul style="list-style-type: none"> <li>Changed 'Retained earnings' to 'Accumulated surplus' for consistency with the Statement of Financial Position in the GPFS.</li> </ul>
B-11	Note 1 Significant accounting policies	<ul style="list-style-type: none"> <li>Disclose threshold for Declared Business activities table &gt;\$2M, &lt;\$2M <ul style="list-style-type: none"> <li><i>Business activities with gross operating turnover over \$2 million categorised as Category 1.</i></li> <li><i>Business activities with gross operating turnover less than \$2 million categorised as Category 2.</i></li> </ul> </li> </ul>
<b>Special Schedules (SS)</b>		
Throughout	Permissible income for general rates	<ul style="list-style-type: none"> <li>References to old 'Special Schedule 2' changed to 'Permissible income for general rates'.</li> </ul>
Throughout	Report on Infrastructure Assets	<ul style="list-style-type: none"> <li>References to old 'Special Schedule 7' changed to 'Report on Infrastructure Assets'.</li> </ul>
<b>JO Supplement</b>		
Throughout		<ul style="list-style-type: none"> <li>The JO Supplement has been added at section D within the suite of documents that derive the Code.</li> </ul>
<b>Appendices</b>		
Throughout		<ul style="list-style-type: none"> <li>Appendices have been moved to Section E of the Code.</li> </ul>
E-13	Appendix F - OLG Guidance for infrastructure, property, plant and equipment	<ul style="list-style-type: none"> <li>Added additional words LUR <ul style="list-style-type: none"> <li><i>'Where Council has determined that the method provides a fair value under AASB 13'.</i></li> </ul> </li> </ul>
E-18 – E-20	Appendix G - Accounting examples	<ul style="list-style-type: none"> <li>Added words <i>'or revaluation decrement in the reserve'</i> to example 2A.</li> <li>Added words <i>'income statement'</i> to example 3.</li> </ul>
E-39 – E42	Appendix K – Standards issued not yet effective	<ul style="list-style-type: none"> <li>Added: <ul style="list-style-type: none"> <li>AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities</li> <li>AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059 and comments.</li> <li>AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a business</li> <li>AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material</li> </ul> </li> <li>Removed <ul style="list-style-type: none"> <li>AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions.</li> </ul> </li> </ul>
E-41		
E-43	Appendix L – Significant changes to 2019-20 Code due to accounting standards changes	<ul style="list-style-type: none"> <li>Significant changes due to accounting standards changes. AASB 15 and AASB 1058, AASB 16.</li> </ul>