

Review of the Code of Accounting Practice and Financial Reporting (the Code) Update 26 2017-18



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Welcome

- Introductions and purpose of the web video



Contents of this presentation

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2. Changes to the Accounting Standards
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1. Financial reporting governance structures and the Code



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Financial governance structures

- Local Government Act 1993– Chapter 13 – Part 3 – Financial Management
<http://www.legislation.nsw.gov.au/#/view/act/1993/30/chap13>
- Local Government (General) Regulation 2005 – Part 9 - Management and Accountability
<http://www.legislation.nsw.gov.au/#/view/regulation/2005/487/part9>
- **Code of Accounting Practice and Financial Reporting**
– (includes Australian Accounting Standards and Interpretations)
<http://www.olg.nsw.gov.au/strengthening-local-government/supporting-and-advising-councils/accounting-practice>



Code of Accounting Practice and Financial Reporting

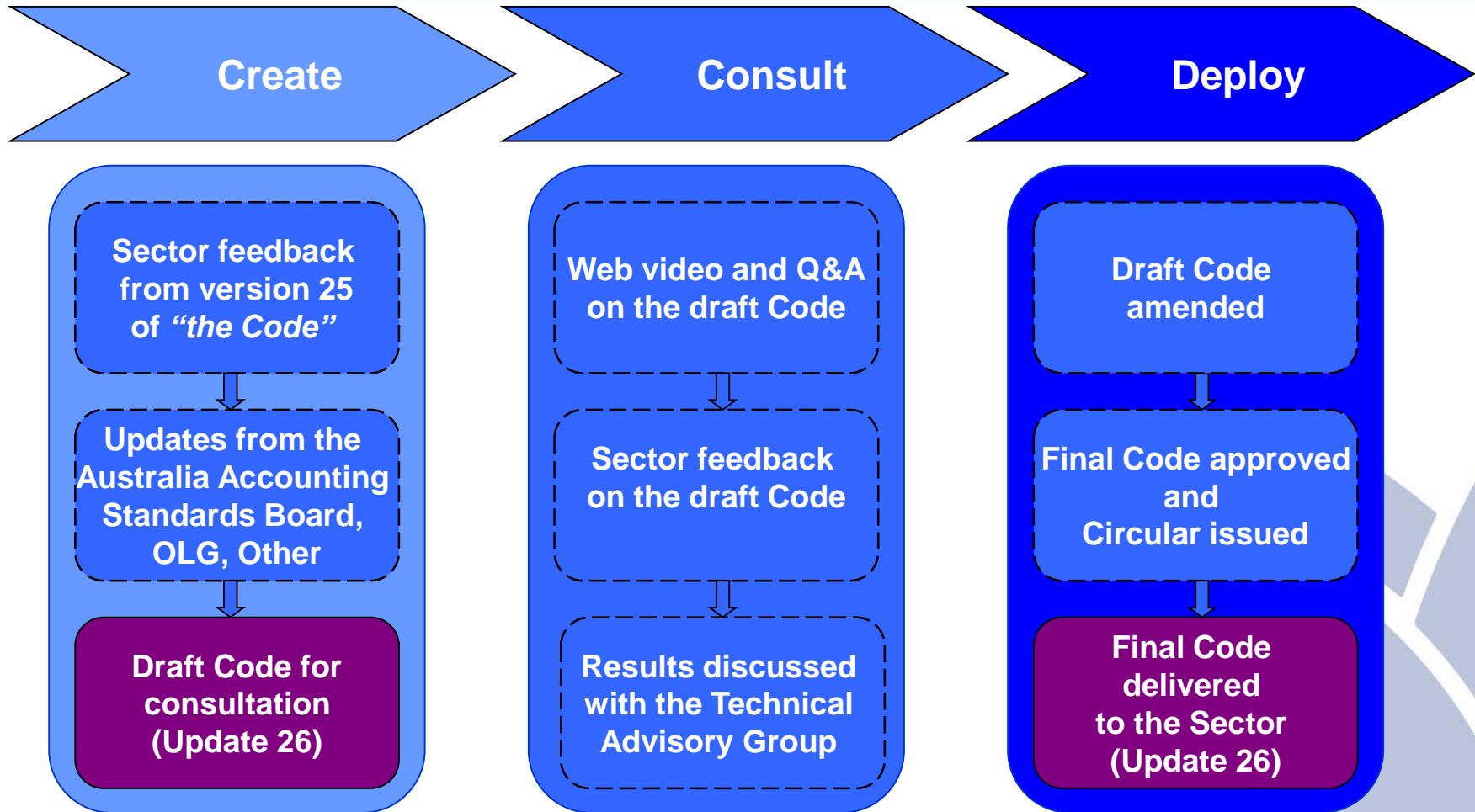
- The Accounting Code:
 - comprises of four documents:
 1. General Purpose Financial Statements
 2. Special Purpose Financial Statements
 3. Special Schedules
 4. Appendices
 - prescribes the form of the financial statements
 - applies to each NSW council
 - prescribes the minimum disclosures required



Code of Accounting Practice and Financial Reporting continued

- The intent of the Code is to:
 - facilitate practical and effective financial reporting obligations:
 - implementation of all Australian Accounting Standards and
 - Local Government Act 1993, Regulations and associated policies
 - to drive a culture of commitment to useful, accurate and reliable financial reporting

Overview of the consultation process





Drivers of change

Changes due to:

- the Auditor-General's mandate to cover Local Government
- Accounting Standards
- Government's focus on supporting financial sustainability
- feedback from stakeholders
- OLG and other Government reporting requirements

2. Changes to the Accounting Standards



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Changes to the Accounting Standards – Effective at 30 June 2018

AASB 2016-2 *Disclosure Initiative – Amendment to AASB 107*

- Disclosure to evaluate changes in liabilities arising from financing activities

	20X1	Cash flows	Non-cash changes				20X2
			Acquisition	Foreign exchange movement	Fair value changes	Other non-cash movement	
Long term borrowings							
Short term borrowings							
Lease liabilities							
Assets held to hedge long term borrowings							
Total liabilities from financing activities							



Changes to the accounting standards continued

- *AASB 2016 – 1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- *AASB 2016 - 4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities*
- *AASB 2017 – 2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014 – 2016 Cycle*

3. Changes to the Code



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Changes to the Code

251 observations and issues:

- 149 actioned as changes
- 11 pending further consideration
- 34 considered in Code Update No. 27
- 54 not appropriate
- 3 not applicable



Key changes to the Code

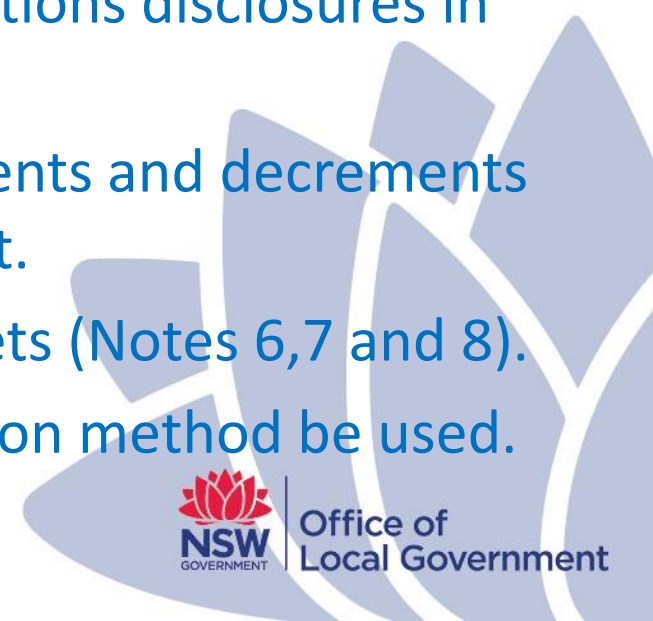
The major drivers for changes between Code #25 and draft Code #26 include:

1. Removed the requirement to include nil Notes and nil line items.
2. Highlighted that this is the minimum requirement and that Councils can add more information if meaningful to end users.
3. Moved accounting policies from Note 1 to respective Statements and Notes and repositioned and renumbered Notes 9 to 28
4. Made illustrative narrative generic to emphasise that examples are illustrative only.



Key changes to the Code continued

5. Removed the statement giving Councils the option to continue to recognise or not to recognise Rural Fire Services Assets – further guidance will be provided
6. Recommended that IP&R functions or activities be disclosed in Note 2.
7. Separated cash and non-cash contributions disclosures in Note 3(f).
8. Moved disclosure of fair value increments and decrements from Notes 3 & 4 to Income Statement.
9. Reduced disclosures on restricted assets (Notes 6,7 and 8).
10. Recommended straight line depreciation method be used.





Key changes to the Code continued

11. Improved guidance on depreciation, revaluations and restrictions for IPPE
12. Removed the requirement to disclose restricted IPPE
13. Note 13-Payables and borrowings:
 - added a table in changes in liabilities arising from financing activities.
 - moved (d) Financing arrangements disclosures from Note 16
 - added drawn and undrawn facilities disclosures and
 - moved internal loans disclosures from SS2



Key changes to the Code continued

14. Note 15 renamed and
 - removed reconciliations
 - added third balance sheet and
 - added additional error disclosure example
15. Note 16 renamed to 'Statement of cashflow information'
16. Removed Special Schedule 2-Statement of Long Term debt
17. Repositioned Special Schedule 8-Permissible Income to Special Schedule 2.
18. Moved some accounting practice and policy guidance from the General Purpose Finance Statements to Appendix E-OLG Accounting practice and policy guidance.



Key changes to the Code continued

19. Added further guidance in Appendix I-Guidance on AASB 124 Related Party Disclosures:
 - materiality
 - new councils to adopt AASB 124 (comparatives not required)
 - existing Councils will require to disclose comparatives.
20. 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.

4. Financial statements reminders



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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

- Do not include Notes or Special Purpose Financial Statements if they are not applicable.
- Do not include line items if they are not material or not applicable.
- All content in your council's financial statements should be relevant to your council.
- The Code is the minimum requirement – you can add more disclosures if they are meaningful and relevant to the end user.





Financial statements reminders continued

- 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.
- Accounting policies must be disclosed with the relevant Notes.
- Notes will be in the order as illustrated in the Code
 - numbering may vary depending on the number of Notes disclosed.



Just a quick reminder!



Financial statements reminders

- Written request for an extension of time for the lodgement of financial statements to be submitted to the OLG by **Wednesday 17 October 2018.**
- Audited financial statements to be submitted to OLG by **Wednesday 31 October 2018.**





Draft Code Consultation reminders?

- Consultation period closes
Friday 2 February 2018
- All questions and any feedback to be provided
to: code@olg.nsw.gov.au

5. Key Standards issued not yet effective



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Key Standards issued not yet effective

- Work should commence on Big 3:
 - AASB 9 *Financial Instruments* (30 June 2019)
 - AASB 15 / AASB 1058 – *Revenue / Income of NFPs* (30 June 2020)
 - AASB 16 *Leases* (30 June 2020)

6. Recap, reminders, where to go for help and next steps



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Recap of draft Code update #26

The major drivers for changes between Code #25 and draft Code #26 are:

- changes to Standards: AASB 107 changes arising from the disclosure initiative*
- other changes pronounced in the Summary of Proposed Changes document published on the OLG website:*



Recap of draft Code update #26

- *no requirement to report nil Notes and nil line items*
- *realignment and inclusion of policies within the notes*
- *made Illustrative narrative generic*
- removed the option to continue to recognise/not to recognise Rural Fire Services Assets
- recommend that IP&R functions or activities be disclosed in Note 2
- cash and non-cash contributions disclosures in Note 3(f)



Recap of draft Code update #26 continued

- *fair value increments and decrements now in Income Statement*
- *reduced disclosures on restricted assets (Notes 6,7 and 8)*
- *recommend straight line depreciation method*
- *improved guidance on depreciation, revaluations and restrictions (community land and land under roads)*
- *removed disclosure of restricted IPPE*



Recap of draft Code update #26 continued

- *Note 13-Payables and borrowings*
 - *changes in liabilities arising from financing activities*
 - *financing arrangements*
 - *drawn and undrawn facilities and*
 - *internal loans disclosures*
- *renamed Note 15, removed reconciliations, added third balance sheet and additional error disclosure example*
- *renaming Note 16-Statement of cashflow information*
- *removed Special Schedule 2-Statement of Long Term debt*



Recap of draft Code update #26 continued

- *repositioned Special Schedule 8-Permissible Income to Special Schedule 2*
- *moved accounting practice and policy guidance to appendices*
- *Appendix I - AASB 124 Related Party Disclosures:*
 - *further guidance on materiality*
 - *new councils to adopt AASB124 and*
 - *existing councils to include comparatives*
- *Updated Appendices relating to standards - J,K and L*



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>

- all documents for download including all there is to know about the draft Code including the
 - Summary of proposed changes document
 - Web video; and
 - Q&A document

Email: code@olg.nsw.gov.au

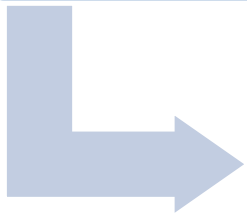
Contact details for OLG

Laura Love, Senior Policy Officer

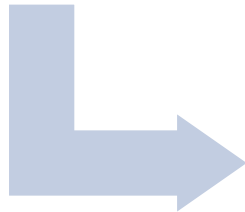
– 02 4428 4178 laura.love@olg.nsw.gov.au

Next Steps

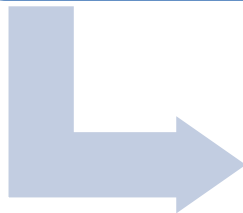
Review
feedback
February 2018



Finalise Code
February/
March 2018



Publish final
Code
End of March
2018



Roadshow
March/
April 2018

Laura Love



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The End

We thank you for listening and look forward to your feedback



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