

Circular Details	Circular No 17-27 / 25 September 2017 / A559732
Previous Circular	16-31
Who should read this	General Managers / Finance & Rating Staff
Contact	Performance Team / 02 4428 4100 / finance@olg.nsw.gov.au
Action required	Councils to apply the 2016-17 end of year financial reporting arrangements and complete the Financial Data Return

End of Year Financial Reporting 2016-17

What's new or changing

- End of year financial reporting information has been updated for 2016-17.
- The Financial Data Return (FDR) 2016-17 has also been updated to reflect the changes within the Local Government Code of Accounting Practice and Financial Reporting (Update No. 25).
- Additional worksheets have been included to capture the assets, liabilities and rating information of new entities.

What this will mean for your council

- Councils need to review the attached end of year financial reporting information and apply it when completing their Financial Statements and the FDR.

Key points

- Annexure 1 provides information to assist councils prepare their 2016-17 Financial Statements.
- The Financial Statements and FDR are to be sent electronically to OLG by **31 October 2017**. Detailed instructions on how and where to email these are included in the Annexure.
- GST certificates should be emailed to finance@olg.nsw.gov.au (see Circular 11-23).
- Domestic waste reasonable cost audits will not be undertaken this year; however Councils are still required to calculate these costs. Councils will need to retain a copy of these calculations.

Where to go for further information

- The Code of Accounting Practice and Financial Reporting (Update No. 25) is available on OLG's website at www.olg.nsw.gov.au.
- Code of Accounting Practice and Financial Reporting Circular 17-10, issued 7 June 2017.
- Special Schedule 8 Permissible Income Workpapers 2017-18, Circular 17-21 issued 24 July 2017.



Tim Hurst
Acting Chief Executive

Annexure 1

1. Submission of Financial Statements and Financial Data Return (FDR)

The Financial Statements and the FDR are to be submitted to the Office of Local Government (OLG) by **31 October 2017**.

Please be aware, the Chief Executive will not approve an extension to this date for any council that failed to submit its 2015-16 Financial Statements by the due date. Extensions need to be applied for, prior to 17 October 2017.

The General Purpose Financial Reports, Special Purpose Financial Reports, Special Schedules and the Auditor's Report are to be emailed in a single PDF formatted document to OLG at finance@olg.nsw.gov.au

The report should be titled using the following format:

“Council name – Financial Statements – 2016-17”

The FDR is to be emailed to OLG at fdr@olg.nsw.gov.au.

Please ensure that all data entered into the FDR is accurate and aligns with the corresponding data in the Financial Statements.

2. Code of Accounting Practice and Financial Reporting – Update No. 25

Code Update No. 25 (in Acrobat© format) is available for download from OLG's website under “General Publications/Accounting Practice”. A Microsoft Word version of Code 25 (the Code) can be obtained from OLG by telephoning (02) 4428 4142.

The Code has been developed to include worked examples specific to local government.

It is highly recommended that Finance Managers/Responsible Accounting Officers and their staff read the Code to ensure compliance with the Australian Accounting Standards, *Local Government Act 1993* (the Act), *Local Government (General) Regulation 2005* (the Regulation) and OLG's requirements.

3. Statement by Councillors and Management

Section 415(1) of the Act states an Auditor must audit the council's financial reports as soon as practicable. Section 413(2)(c) of the Act states the financial reports must include a statement in the approved form by the council as to its opinion on the general purpose financial report.

The Statement should be signed by a resolution of full council, rather than a committee of council.

If the Statement is signed prior to submitting the financial reports to audit Council should ensure a further review is undertaken of the Financial Statements on completion of the Audit, prior to submission to OLG, as changes may have occurred during the audit process.

4. Note 1

Councils should ensure Note 1 is tailored to be relevant to their council, rather than simply adopting the assumed council as reported in Code 25.

5. Fair Value

Councils are reminded of the need to have adequate documentation for the Auditor to be satisfied with the opinion and fair value of its assets and investments. Councils should contact their Auditor prior to the audit date to establish the required documentation. This is the responsibility of councils.

Fair value measurement of community land and land under roads is impacted by restrictions such as the sale or use of the asset. Restrictions on the asset are a characteristic of the asset which should be taken into account in fair value measurement. Land will usually be measured using the market approach (i.e. based on a market selling price). Restrictions on land which are non-entity specific should be accounted for as a discount to market value.

The NSW Valuer General's valuations may be used under the revaluation model to represent fair value of community land. As the NSW Valuer General's valuations are based on unimproved land value, Councils need to separately consider any improvements made to community land in the overall fair value assessment.

6. Indicative Rates for the Purpose of Discounting Cash Flows (Employee Benefits)

AASB 119 (Employee Benefits), states that employee benefit liabilities that are expected to be settled more than 12 months after the reporting date must be measured using market yields of Government Bonds. To assist councils in this process, indicative rates of National Government Bonds (Treasury Bonds) are provided on the Reserve Bank website (www.rba.gov.au) by searching "indicative rates".

7. Financial Data Return (FDR) and Information to be used in the Time Series Data report

The 2016-17 FDR will be emailed separately to councils, to the attention of Finance Managers, alerting them to the issuing of the electronic data return. If you have not received the electronic return, please check with your IT section prior to contacting OLG.

Councils are reminded that care should be exercised when completing the FDR to ensure that it does not contain any errors and that it contains data from the final audited reports. **If OLG identifies any errors, the FDR will be returned to the council for correction.** A completion checklist has been included in the return for councils to ensure completeness and accuracy.

In previous years the majority of councils have submitted the return at the same time as the financial statements. This is appreciated and OLG asks that councils continue to do this.

The FDR contains data that will be used in the annual Time Series Data report. Many of the performance indicators to be included in the report will be populated directly from the FDR. As a result, it is essential that councils ensure the data is consistent with the audited financial statements.

OLG's 2016-17 FDR has again incorporated the Australian Bureau of Statistics' (ABS) electronic return. The ABS appreciates the information provided by councils.

The FDR is to be emailed to OLG at fdr@olg.nsw.gov.au immediately following the submission of each council's Financial Statements and no later than **31 October 2017**. Please note that the above email address is for the FDR only and all other enquires and statements are to go to the addresses listed in the circular.

8. Fit for the Future (FFTF) projections

Councils' performance against their FFTF proposals will be monitored. To assist in this monitoring process, councils are to report in the FDR '*Fit for the Future Projections*' their actual and projected FFTF benchmark measures, as reflected in their FFTF proposal.

9. Index Rates for Water and Sewer

The DPI Water has released index rates for water and sewer assets. Councils should use these current index rates for these assets.

10. Domestic Waste Management (DWM) – Audit of Reasonable Costs

Councils are still required to calculate the reasonable costs charges for domestic waste, however these will not be audited for this year. Councils will be required to hold these calculations, should they be required during the year.

The Office of Local Government, will be reviewing this reporting requirement prior to the end of the 2017-18 year, and will develop specific guidance for the calculating and reporting of the charges to ensure consistency in the calculations.