

Circular Details	Circular No 18-17 / 8 June 2018 / A588980
Previous Circular	17-27
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 2017-18 end of year financial reporting arrangements.

End of Year Financial Reporting 2017-18

What's new or changing

- End of year financial reporting information has been updated for 2017-18.

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 their Financial Data Return (FDR).

Key points

- Annexure 1 provides information to assist councils prepare their 2017-18 Financial Statements.
- The Office of Local Government (OLG) will issue the FDR worksheets in the new financial year.
- The Financial Statements and FDR are to be sent electronically to OLG by **31 October 2018**. 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).

Where to go for further information

- The *Code of Accounting Practice and Financial Reporting* (Update No. 26) is available on OLG's website at www.olg.nsw.gov.au.
- Code of Accounting Practice and Financial Reporting Circular 18-10, issued 18 April 2018.



Tim Hurst
Acting Chief Executive

Annexure 1

1. Submission of Financial Statements

- The General Purpose Financial Reports, Special Purpose Financial Reports, Special Schedules and the Auditor's Report to be formatted into a single PDF document, titled using the format: "Council name – Financial Statements – 2017-18".
- Submit by **31 October 2018** to finance@olg.nsw.gov.au.
- Extension requests need to be from the General Manager and addressed to the Acting Chief Executive, Office of Local Government. These are due by COB 17 October 2018. These may be emailed to olg@olg.nsw.gov.au.

2. Code of Accounting Practice and Financial Reporting (Code) – Update No. 26

- The Code must be used to prepare annual financial statements in accordance with the *Local Government Act 1993* (the Act) and the *Local Government (General) Regulation 2005*.
- The Code and supporting materials are available on the Office of Local Government (OLG) website at <http://www.olg.nsw.gov.au/strengthening-local-government/supporting-and-advising-councils/accounting-practice>.
- Contact Performance Team on 02 4428 4100 for a Microsoft Word version.

3. Financial Data Return (FDR)

- The 2017-18 FDR will be emailed separately to Finance Managers early in the new financial year.
- Submit by **31 October 2018** to fdr@olg.nsw.gov.au.
- The FDR should be accurate and align with the audited financial statements.
- Information from the FDR will be used in the published Time Series Data.

4. Statement by Councillors and Management

- The Code requires a Statement by Councillors and Management.
- The Statement in the approved form is in the Code.
- Councils' auditors may require the Statement to be re-signed closer to the date the audit opinion is issued, where there have been significant changes to the financial statements approved for submission to audit.

5. Quality and Timeliness of Financial Reporting

- Councils are encouraged to improve the overall quality and timeliness of financial reporting by engaging early with their auditors to establish an agreed audit timetable. This process should identify areas that need to be considered and resolved before the end of year process.
- Councils' should ensure early commencement and completion of asset revaluations.

6. New Accounting Standards and the impact for Councils

- Councils are encouraged to familiarise themselves and be prepared for the introduction of new Australian Accounting Standards.
- Information relating to forthcoming changes to AASB 9 Financial Instruments, AASB 16 Leases, AASB15 Revenue from Contracts with

Customers and AASB 1058 Income for Not-for-Profit entities was included in OLG's 2018 Financial Reporting Roadshow.

- Additional information is available from the Australian Accounting Standards Board at www.aasb.gov.au.
- Guidance on the adoption of AASB124 Related Party Disclosures is provided within Appendix I of the Code.

7. Fair Value

- Fair value assessments need to be conducted annually.
- Adequate documentation needs to be available the auditors.
- The necessary documentation should be agreed with the auditor prior to year-end.
- Restrictions on asset use, especially for community land and land under roads, should be taken into account when assessing valuation.
- NSW Valuer General's valuations may be used to represent fair value of community land. Councils will then need to separately consider any improvements made to community land in the overall fair value assessment.

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

- Employee benefit liabilities expected to be settled more than 12 months after the reporting date must be measured using market yields of Government Bonds - AASB 119 (Employee Benefits).
- Indicative rates of National Government Bonds (Treasury Bonds) are provided on the Reserve Bank website www.rba.gov.au by searching "indicative rates".

9. Index Rates for Water and Sewer

- Councils should use the most current index rates for water and sewer assets.
- DPI Water releases index rates for water and sewer assets at www.water.nsw.gov.au.

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

- Will not be audited for the 2017-18 year, however councils are required to calculate the reasonable costs charges for domestic waste.
- When this reporting requirement is reviewed, OLG will develop specific guidance for calculating and reporting the charges.

11. Note for merged councils

- Merged councils are required to comply with Code 26 for the year ended 30 June 2018.
- Comparative figures are required (except for related party disclosures).
- Further information is included on page A-5 of the Code.

12. Infrastructure ratios

- Building and Infrastructure Renewal Ratio (BIRR) is calculated based on renewal expenditure on specific infrastructure assets identified in Special Schedule 7 (SS7) – Report on infrastructure assets as documented in the Code.
- Other assets classes, including Work in Progress (WIP) should not be included in the infrastructure ratio calculations.

13. Restricted funds

- Section 409 (3) of the Act states that money received as a result of the levying of a special rate or charge may not be used for purposes other than for which the rate or charge was levied. In this case, money received for water or sewer purposes cannot be used within the General Fund.
- Section 410 of the Act requires Ministerial approval to lend (by way of an internal loan) money that is not yet required for the purpose for which it was received.

14. Council entities

- Section 358 of the Act requires councils to obtain Ministerial consent before forming or participating in the formation of a corporation or other entity, or acquire a controlling interest in a corporation or other entity.
- In this section of the Act, entity means any partnership, trust, joint venture, syndicate or other body (whether or not incorporated).