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Service Delivery Division

22 April 2009

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### Local Government Bulletin

## Indigenous Councils – Reminder about new financial reporting requirements that apply for 2008/2009.

### ***Purpose***

The purpose of this bulletin is to remind Indigenous local governments of their financial reporting obligations for the current financial period.

### ***Background***

There are 12 Aboriginal Shire Councils that are governed by the *Local Government (Community Government Areas) Act 2004* that are required to prepare financial statements in the form approved by the Director-General each year. Since 2005 the councils have been transitioning to the requirements of the *Local Government Act 1993*. The final step in this process is the transition to producing general purpose financial reports.

Aurukun and Mornington Shire Councils already produce general purpose financial reports each year.

As a result of the local government reform process two new Indigenous Regional Councils were formed from councils that previously complied with the same requirements as the 12 Aboriginal Shire Councils mentioned above.

### ***Requirements for the period ending 30 June 2009***

In July 2008 the former Director-General of the Department of Local Government, Sport and Recreation advised that the 12 Aboriginal Shire Councils would have to comply with all Australian Accounting Standard requirements for the year ending 30 June 2009, except for the requirements to restate comparative data. In addition, the Northern Peninsula Area Regional Council and the Torres Strait Island Regional Council were advised to prepare general purpose financial reports for the period 15 March 2008 to 30 June 2009.

The purpose of this bulletin is to remind councils of these requirements and the issues that councils should have been addressing this year in preparation for these changes.

### ***Australian Accounting Standard requirements***

Councils that are affected by the changes need to familiarise themselves with the standards that have to be complied with for the first time this year. While many of the changes relate to disclosure in the end of year financial statements, there are some changes that require Councils to take action during the financial year. In particular, Councils should review the following standards to ensure familiarity with their requirements and that the necessary action to ensure compliance has been taken on a timely basis:

- AASB 7: Financial Instruments: Disclosures
- AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors
- AASB 116: Property, Plant and Equipment
- AASB117: Leases
- AASB 127: Consolidated and Separate Financial Statements
- AASB 132: Financial Instruments: Presentation
- AASB 136 : Impairment of Assets
- AASB139: Financial Instruments: Recognition and Measurement
- AASB141: Agriculture
- AASB 1004: Contributions
- AASB 1051: Land Under Roads (*Note: this is unlikely to affect Indigenous Councils. The Department will issue a bulletin relating to this subject in the near future*)
- AASB 1052: Disaggregated Disclosures

### ***Have you identified all your assets including infrastructure assets? Have you engaged a valuer to value appropriate assets?***

Aboriginal Shire Councils and Indigenous Regional Councils should ensure that all assets, including infrastructure assets, have been **identified** and appropriately **measured** in accordance with the requirements of AASB 116: Property, Plant and Equipment. Originally those councils were required to comply with this requirement in the 2007-2008 financial year, however, following advice from the Queensland Audit Office and councils, the requirement was deferred to the 2008-2009 year. In June 2008 councils were invited to attend training sessions on this and related topics in Cairns and Townsville. While not all of the relevant councils attended the training sessions, it is expected that all affected councils have taken action to comply with the requirements of AASB 116 this year.

In general, council will need to have engaged a valuer to value assets this financial year where:

- existing infrastructure or other property plant and equipment assets will be included in the financial statements for the first time;
- A class of property plant and equipment assets, such as infrastructure, has some assets measured at cost and some measured at fair value. In accordance with AASB 116 paragraph 36, if an item of property, plant and

equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued;

- It has been five years since the last valuation of land and/or buildings (see *Local Government (Community Government Areas) Finance Standard 2004*); or
- Council has adopted the revaluation model for a class of assets and the fair value of an asset in that class differs materially from its carrying value.

Given that valuers often have a long waiting list, councils that need valuations for 2008-2009 should now be engaging valuers if this has not already been done. When instructing valuers it is important that councils:

- are clear about which assets need to be revalued (making sure the entire class is included);
- ensure that valuers use a methodology that complies with the requirements of AASB 116: Property, Plant and Equipment and AASB 136: Impairment of Assets; and
- ensure that the valuer provides sufficient and appropriate documentation to enable auditors to check the valuation.

In addition Councils should consider other requirements, such as a valuation for insurance purposes, which need to be included.

### ***Have you identified council's activities/functions and adjusted the chart of accounts accordingly?***

AASB 1052: Disaggregated Disclosures requires councils to disclose information by broad function or activity by way of note in the financial statements (see example note disclosure in Appendix 1).

In preparation for this councils should have already considered their functions/activities and whether the council's financial information system is recording sufficient information to enable adequate disclosure to be made in the financial statements. Adjustments to charts of account/cost centres/job cost codes should already have been made if required in order to capture the necessary information.

### ***Tropical illustrative financial report***

The Department will soon be releasing a suite of illustrative financial reports to provide guidance to councils in preparing financial statements for the periods ending 30 June 2009. The suite will comprise the following:

- 1. Tropical Aboriginal Shire Council** – this illustrative set of special purpose financial reports is suitable for the 12 Aboriginal Shire Councils that are governed by the *Local Government (Community Government Areas) Act 2004*. This set will comply with the form approved by the Director-General for 2008-2009.
- 2. Tropical Regional Council** - this illustrative set of financial reports is suitable for new councils arising from the amalgamation process. It is an example general purpose financial report that can be used as a reference guide by the Torres Strait Island Regional Council and the Northern Peninsula Area Regional Council.
- 3. Tropical Shire Council** - this illustrative set of financial reports is suitable for continuing councils, governed by the *Local Government Act 1993* only and

that were unaffected by the amalgamation process. It is an example general purpose financial report that can be used as a reference guide by Aurukun and Mornington Shire Councils.

The illustrative financial reports are cross referenced to the relevant Australian Accounting Standard and legislative requirements and also provide commentary to assist councils. With some adjustments they can be used as templates for financial statement preparation. The XYZ templates previously provided to Aboriginal Shire and Torres Strait Island councils will not be available this year since they have been replaced by the relevant Tropical illustrative financial report.

### ***Workshop in May 2009***

On 13-14 May 2009 the Department will conduct a workshop to assist those who prepare the financial statements of Indigenous Councils to meet the new requirements. The workshop will include a session introducing the illustrative financial reports, more detailed analysis of the approved form and technical sessions concerning relevant Australian Accounting Standards.

### ***Further information***

Any further enquiries on this matter should be addressed to Samantha Amos, Principal Project Officer, Service Delivery Division, Phone: 07 3225 8647, Fax: 07 3225 1350, [samantha.amos@dlgpsr.qld.gov.au](mailto:samantha.amos@dlgpsr.qld.gov.au). The Department's postal address is PO Box 15031, City East, Queensland 4002.

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**Peta Jamieson**  
**Executive Director**  
Service Delivery Division

**Appendix  
1**

**Notes to the Financial Statements  
For the Year Ended 30 June 2009**

**2 Analysis of results by function**

Income and expenses defined between recurring and capital are attributed to the following functions :

**(a) Current Year**

Functions	Gross program income		Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net result attributable to council	Assets
	Recurring	Capital			Recurring	Capital					
	2009	2009			2009	2009					
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Corporate Governance	11,073	350,000	-	361,073	(446,261)	-	9,998	(436,263)	(435,188)	(75,190)	7,802
Finance & Information	6,382,173	42,800	-	6,424,973	(1,290,697)	(380,900)	25,000	(1,646,597)	5,091,476	4,778,376	9,321,634
Community Services	198,590	-	-	198,590	(1,306,682)	-	38,000	(1,268,682)	(1,108,092)	(1,070,092)	4,683,429
Emu Farm	255,076	-	-	255,076	(382,371)	-	5,400	(376,971)	(127,295)	(121,895)	101
Canteen	4,346,827	968,022	(812,743)	4,502,106	(8,664,888)	-	588,495	(8,076,393)	(4,318,061)	(3,574,287)	47,948,745
Waste Management	779,386	-	-	779,386	(734,899)	-	75,500	(659,399)	44,487	119,987	111,989
Water Infrastructure	1,687,492	299,192	(27,800)	1,958,884	(1,715,925)	-	79,900	(1,636,025)	(28,433)	322,859	16,025,296
Sewerage Infrastructure	522,985	6,600	-	529,585	(471,816)	-	18,250	(453,566)	51,169	76,019	3,563,664
<b>Total Council</b>	<b>14,183,602</b>	<b>1,666,614</b>	<b>(840,543)</b>	<b>15,009,673</b>	<b>(15,013,539)</b>	<b>(380,900)</b>	<b>840,543</b>	<b>(14,553,896)</b>	<b>(829,937)</b>	<b>455,777</b>	<b>81,662,660</b>
Controlled entity net of eliminations	1,648,726	(7,617)		1,641,109	(1,605,906)	100,474		(1,505,432)	42,820	135,677	586,468
<b>Total consolidated</b>	<b>15,832,328</b>	<b>1,658,997</b>	<b>(840,543)</b>	<b>16,650,782</b>	<b>(16,619,445)</b>	<b>(280,426)</b>	<b>840,543</b>	<b>(16,059,328)</b>	<b>(787,117)</b>	<b>591,454</b>	<b>82,249,128</b>