



## 2002 NSW LOCAL GOVERNMENT ANNUAL FINANCIAL STATEMENTS AWARD

### JUDGES' REMARKS

#### 1. INTRODUCTION

The NSW Local Government Annual Financial Statements Award is sponsored annually by Coalface Software Solutions to encourage improved presentation and compliance with the Australian Accounting Standards (the Standards) and the NSW Local Government Code of Accounting Practice and Financial Reporting (the Code). The award is judged on the non-audit aspects of compliance with the Standards and the Code, format and presentation, readability and information provided to users and the appropriateness, wording and content of narrative notes.

The judges are one nominee of each of the Local Government Finance Professionals, the Local Government Auditors Association and Coalface Software Solutions.

The comments made below are a summary of the points noted by the judges in their assessment of the entries received for the 2002 financial year. Not all judges assessed each of the points with the same degree of emphasis, although all judges agreed in the final choice of the awardee. Equally, individual practitioners in Local Government, and their Auditors, are likely to apply different degrees of emphasis to the points raised. These remarks have been prepared to assist entrants in future years' awards to enhance the preparation of their Annual Financial Statements.

In a number of instances, non-compliance with Australian Accounting Standards and the Code have been identified and are reported below. The judges have not identified any instance where the amounts involved in such breaches appear to be sufficiently material as to warrant qualification of the Auditor's Report. We have not carried out an audit, nor do we express any audit opinion on the Statements that we have reviewed, nor do we express any opinion in relation to the respective audits of those Statements.

#### 2. GENERAL

Provided the information is clearly legible, no regard is taken to whether the Statements are professionally printed, or the manner of their binding (if any). Unduly small type faces, especially on a stippled background, can introduce a significant degree of difficulty in deciphering the information<sup>1</sup>. The Statements supplied for judging must include the index, Council certificate, principal statements, all notes and the Auditor's Report in correct order. The Special Purpose Financial Reports and Special Schedules have been ignored in the judging process.

Rounding discrepancies should be identified and corrected; all additions within the Statements must be correct<sup>2</sup>.

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1. We experienced some difficulty in deciphering figures for #250, #325 in some Notes.  
2. Rounding or other additions errors occurred in #25, #50, #75, #500, #750, #775, #800.



### 3. TABLE OF CONTENTS

The table of contents must comply with the Department's instructions (notes after the last note physically supplied need not be listed)<sup>3</sup>. An Executive Summary, if supplied, must be included in the Index and the page numbering.

### 4. EXECUTIVE SUMMARIES

Executive Summaries, where supplied (and however described)<sup>4</sup>, should be concise and assist the reader in interpreting the key features of the result for the year. Prolix summaries, or those which merely repeat information contained elsewhere are regarded as detracting from the Statements. Absence of an Executive Summary confers neither advantage nor disadvantage.

### 5. COUNCIL CERTIFICATE

The Certificate must be signed and bear the resolution date<sup>5</sup>; failure to do so implies that only a draft copy of the Statements has been supplied for judging. The Certificate should show the names of the signatories, not merely their positions<sup>6</sup>.

### 6. STATEMENT OF FINANCIAL PERFORMANCE

The basic format is prescribed by the Code, but lines where the amounts for both current and previous reporting periods are NIL should not appear<sup>7</sup>. (This rule may be breached in the case of *borrowing costs*, where the information that there were no borrowing costs is of real significance.) Similarly, where consecutive subtotals are identical, only the bottom subtotal should be shown<sup>8</sup>. Amounts should not be shown as both profit and loss from disposal of assets or joint ventures & associates<sup>9</sup>. Where comparative figures are reclassified, this should not have the effect of changing *total expenses*, *total revenues* or any subtotal amount unless an adequate explanation is supplied.

### 7. STATEMENT OF FINANCIAL POSITION

Again, the basic format is prescribed by the Code, but lines where the amounts for both current and previous reporting periods are NIL should not appear<sup>10</sup>. Similarly, where consecutive subtotals are identical, only the bottom subtotal should be shown. The Statement is to be dated at 30 June, not "for the year ended"<sup>11</sup>.

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3. Non-complying tables of contents: #300, #475, #500, #775
  4. Executive Summaries were supplied by #50, #125, #175, #200, #225, #275, #350, #425, #600, #625, #675
  5. These Councils did not disclose the date of the Council's resolution: #100, #200, #300, #325, #350, #650, #675, #750, #850; no Council Certificate supplied by #375.
  6. The following Councils did not disclose the names of one or more signatories: #25, #50, #100, #200, #250, #300, #325, #475, #500, #875
  7. Councils showing NIL rows included #25, #75, #200, #225, #250, #375, #450, #625, #650, #675, #700, #750, #775, #825, #875
  8. Councils showing more than one duplicated total included #25, #75, #200, #250, #275, #300, #325, #375, #500, #600, #625, #725, #775, #800, #850, #875
  9. #475
  10. Councils showing NIL rows included #50, #100, #175, #250, #475, #625, #700, #725, #750, #775, #825, #850
  11. #50, #75, #100, #275, #375, #425, #700, #750, #825. (This error occurred in some Coalface templates in 2002, and will be corrected in the next edition.)



## 8. STATEMENT OF CHANGES IN EQUITY

Again, the basic format is prescribed by the Code, but lines where the amounts for both current and previous reporting periods are NIL should not appear<sup>12</sup>. Similarly, where consecutive subtotals are identical, only the bottom subtotal should be shown. Where there is no external interest in an equity accounted entity, the unneeded and duplicated columns should not be shown.

The Code does not permit disclosure of reserves other than *asset revaluation reserve* in this Statement, and hence disclosure of other reserves is viewed as a deliberate (rather than inadvertent) breach of the Code.

In our opinion where revaluations have been made during the year and there are consequent transfers to or from *asset revaluation reserve*, the appropriate disclosure in the Notes would include the gross of revaluation increments and revaluation decrements for each class of assets<sup>13</sup>. The Notes must also comply with the requirements of paragraphs 9.1 and 9.4 of AAS 38 “Revaluation of Non-Current Assets”.

## 9. STATEMENT OF CASH FLOWS

Again, the basic format is prescribed by the Code, but lines where the amounts for both current and previous reporting periods are NIL should not appear<sup>14</sup>. Similarly, where consecutive subtotals are identical, only the bottom subtotal should be shown. Obvious non-compliance with UIG 31 is penalised<sup>15</sup>. We commend #800 for good disclosure practice relating to Retirement Village bonds and deposits.

Cash for the purposes of the Statement of Cash Flows *must equal* the total of Current and Non-Current Cash Assets less bank overdraft<sup>16</sup>.

## 10. ALL NOTES GENERALLY

The Notes in Appendix A2 of the Code are described as *example notes* of the types of disclosures required. Disclosure of particular information is only mandatory where specifically required by the Standards or the Code. Items should not be shown where amounts for the current and previous reporting periods are NIL<sup>17</sup>. “Other” classifications should generally not exceed 10% of the group total<sup>18</sup>. Clerical and typographical errors are to be avoided, and additions and cross-additions must be correct.

In our opinion, Note 2 satisfies the requirements of AAS 27 for disclosure of expenditures by function, and disclosures in other Notes should be classified by type. We are also of the opinion that all disclosures must be for the purpose of aiding the better interpretation of the accounts, and that more disclosure is not necessarily good disclosure<sup>19</sup>. Narrative portions of Notes must be complete and appropriate to the financial information disclosed<sup>20</sup>.

12. Councils showing NIL rows included #25, #75, #125, #175, #200, #250, #475, #525, #625, #650, #700, #750, #775, #825, #850, #875
13. No explanatory Note - #300. However, no other Council attempted revaluations during the year.
14. Councils showing NIL rows included: #100, #125, #150, #175, #350, #625, #700, #750, #775, #825, #850.
15. #850
16. Councils where this was not the case included #25, #200, #600, #875
17. This applied to #100, #175, #250, #625, #700, #750, #775, #825, all of whom used commercially supplied templates.
18. Councils where *other* classifications exceeded 20% of the group total included Note 4 - #25, #75, #175, #250, #400, #425, #525, #575, #650, #750, #775, #800; Note 6 - #25, #50, #250, #425, #500, #525, #750, #825, #850; Note 7 - #650, #675, #750; Note 8 - #175, #575, #600, #650; Note 10 - #400, #650, #700, #725; Note 11 - #450
19. Instances where we questioned the value of additional detail included Note 3 - #100, #25, #75, #200, #250, #425, #450, #775; Note 4 - #25, #250, #300, #350, #475, #500; Note 7 - #25, #75, #150, #300, #375, #475, #725
20. Incomplete/inappropriate narrative sections: Note 7 - #25, #50, #75, #100, #150, #225, #250, #475, #500, #525, #550, #675, #700, #800



While Notes in relation to comparative items may be reduced in detail, the appropriate explanations must still exist and be intelligible<sup>21</sup>.

## 11. NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Policy statements contained in this note must be consistent with information given in individual notes. The disclosure of all funds and committees included in the consolidation is essential<sup>22</sup>, and disclosure of committees omitted, and the aggregates of their revenues, expenditures and assets is encouraged<sup>23</sup>. Disclosure of property, plant and equipment thresholds and typical lives may be made here or as part of Note 9; the disclosure of an excessive range of years for useful lives is discouraged. We also reviewed disclosure as to whether Council adopted nominal or DCF values for Provision for ELE.<sup>24</sup>

We encourage disclosure of the purpose of reserves in accordance with AAS 36 paragraph 8.8(b), even though the Code requires their description as *restricted assets* rather than *reserves*<sup>25</sup>.

## 12. NOTE 2 - FUNCTIONS / ACTIVITIES

The use of Council's management plan structure, rather than the ABS classifications, is encouraged<sup>26</sup>.

## 13. NOTE 3 - EXPENSES

Except where there is clear internal evidence to the contrary, it is assumed that some part of employee costs<sup>27</sup> and depreciation<sup>28</sup> will have been capitalised, and this disclosure is required. We are also of the view that there are many occasions where it is appropriate to capitalise a portion of *other expenses*. Some Councils disclose only the net change in provision as *employee leave expense*, rather than actual cost which would normally exceed 10% of *salaries & wages*<sup>29</sup>. Employee numbers may be disclosed in Note 1 or Note 3<sup>30</sup>.

New capital expenditure and new borrowings have been examined to determine whether capitalisation in accordance with AAS 34 "Borrowing Costs" has been correctly applied.

The contents of the "Other Expenses" classification have been reviewed for appropriateness<sup>31</sup>, and particular attention has been given to disclosure and non-disclosure of items of individual significance<sup>32</sup>.

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21. #275 omitted notes in relation to comparative items for *correction of fundamental error* and *extraordinary items*.
  22. In our opinion, the generic descriptions by #75 do not meet this requirement.
  23. Councils fully making these disclosures included #300, #350, #450, #650, #725, #800, #850
  24. Non-disclosure of policy regarding ELE discounted cash flows: #25, #75, #275, #425, #575, #700; Change in accounting policy reported Note 4 not Note 1: #800
  25. These disclosures were made by #25, #200
  26. The following Councils used non-ABS functions - #25, #50, #150, #250, #300, #375, #575; #50 adopted an innovative approach to the description of functions which may not have achieved the purpose of the Standard.
  27. Councils with significant infrastructure construction that did not disclose capitalisation of employee costs included #125, #600, #700, #775
  28. Councils with significant infrastructure construction that did not disclose capitalisation of depreciation included #25, #50, #75, #100, #125, #150, #175, #250, #400, #450, #575, #600, #650, #700, #775, #825, #850
  29. #225, #400, #525, #800 reported *ELE Expense* below this limits.
  30. Councils whose disclosure could not be identified included #200, #500, #825
  31. The judges considered that some of the items disclosed as *other expenses* could equally appropriately have been included in *materials & contracts* - #75, #100, #200, #425
  32. In the judges' opinion, additional disclosure of items of individual significance may have been appropriate for #50, #75, #225, #275, #300, #375, #725, #825; #500 disclosed individually significant items as a separate Note, but did not separately disclose these amounts as expenditure. #375 disclosed in Note 3 the explanation of a significant item that appeared in Note 5; this disclosure appears not to comply with AAS 8 "Events Occurring After Reporting Date".



We have adopted the following policies regarding disclosures of specific items:

- Audit fees - disclosure in accordance with paragraphs 1.3, 5.3(a) and 5.3(b) of AAS 37 “Financial Report Presentation and Disclosures” is required.
- Legal Expenses - dissection between *planning* and *other* is required: where only one amount is shown it must be described as either *planning* or *other*.
- Mayoral Allowance - required disclosure
- Members’ Fees & Allowances - required disclosure
- Members’ Expenses - required disclosure (Act specifically requires adoption of policy by Council)<sup>33</sup>
- Operating Leases - disclosure in accordance with paragraph 11.2(a) of AAS 17 “Leases” is required<sup>34</sup>.

#### 14. NOTE 4 - REVENUES

We have reviewed the classifications of revenues, and draw attention to the definition of *user charges* at page 201 of the Code, which requires that they be a charge on the land.<sup>35</sup> Amounts described as *s94 developer contributions* must be reflected in Note 17. The judges do not consider that LSL contributions received from other councils meets the definition of revenue in SAC 4<sup>36</sup>.

#### 15. NOTE 5 - DISPOSAL OF ASSETS

We tend to the view that the scrapping of infrastructure on reconstruction is more correctly a supplementary depreciation charge rather than a *disposal* for the purposes of this Note, but we are aware that this matter is the subject of debate. Accordingly, we have referred the question for consideration at the Local Government Auditors Association workshop, and Councils adopting this approach<sup>37</sup> not been advantaged or disadvantaged.

Where a Council has scrapped material amounts of infrastructure on reconstruction in the current and previous years we would expect to see evidence of a review of depreciation rates.

#### 16. NOTE 6 - CASH ASSETS & INVESTMENT SECURITIES; RESTRICTED CASH

Bank overdrafts must be disclosed on Note 10, not as negative cash<sup>38</sup>. There is ongoing debate whether *managed funds* meet the definition of *cash asset* (and accordingly, Councils have not been advantaged or disadvantaged for this classification<sup>39</sup>), where the amount is material the proper disclosure must be made. The description *cash equivalent assets* is of generic nature (as with *inventories*) and is not recommended<sup>40</sup>. The description *blank line* included in some software packages is unacceptable, whether or not any amount is attributed<sup>41</sup>; ranges of interest rates must be shown<sup>42</sup>.

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- 33. Member’s expenses not disclosed by #725
  - 34. Appropriate disclosure not made by #25, #50, #175, #200, #250, #300, #325, #375, #475, #500, #725, #850
  - 35. Councils with *user charges* items that were considered to have breached this definition included #75, #100, #150, #200, #275, #300, #700, #800, #875
  - 36. LSL contributions disclosed as revenue by #75, #100, #550, #725
  - 37. Councils with disposals for NIL proceeds included #425, #450, #475, #500, #700, #800, #825.
  - 38. #25 disclosed negative cash at bank.
  - 39. However, where disposal of *managed fund units* is disclosed in Note 5, they **must** be disclosed as investment securities - #450
  - 40. The description was used by #250, #450, #725, #825, #850
  - 41. #625, #750
  - 42. #75, #275, #525, #825



We would generally not expect to see any *non-current unrestricted amounts*<sup>43</sup>. The Code prescribes that “*where assets have a <12 month period to maturity, and an “internal restriction” exists over those assets, they to be disclosed as “current” irrespective of the term of the restriction.*” If non-current internal restrictions relate to cash assets we regard this to have been breached<sup>44</sup>.

Totals of external restrictions in Note 6b do not need to match the totals in Note 6a, but current and non-current components of the restrictions disclosed must match<sup>45</sup>; totals of internal restrictions in Note 6b must match the equivalent totals in Note 6a; additions and cross-additions in Note 6b must be correct. All internal restrictions should have a positive balance<sup>46</sup>, and although they are to be disclosed as *current*, the proposed utilisation must show actual estimates of future use<sup>47</sup>.

## 17. NOTE 7 - RECEIVABLES

We make the assumption that at least some of the rates & annual charges debtors outstanding at reporting date will remain unpaid at next reporting date, and that there should be some apportionment between current and non-current debtors<sup>48</sup>. Deferred debtors will generally include a non-current component; in its absence we review the Statement of Cash Flows and form an opinion whether an apportionment should have been made<sup>49</sup>.

## 18. NOTE 8 - INVENTORIES & OTHER ASSETS

Additional information must be disclosed for *real estate held for resale* whenever these comprise a material part of total *inventories*<sup>50</sup>. *Other properties - book value* relates only to properties held surplus to requirements<sup>51</sup>.

## 19. NOTE 9 - PROPERTY, PLANT & EQUIPMENT

Narrative disclosures may be made in Note 1 or Note 9 according to individual preference. Appropriate information relating to the method of valuation (i.e. cost, deemed cost or fair value) must agree with financial information; a suitable (but not necessarily exhaustive) range of thresholds and useful lives must be disclosed; classifications used for depreciation in Note 3 must match those used in Note 9<sup>52</sup>. Unless a reasonable explanation is given, depreciation or accumulated depreciation amounts for a land related asset has been usually been interpreted as a classification error that should have been corrected prior to the preparation of the Statements<sup>53</sup>.

Where a value has been recorded for land under roads that clearly does not relate to all of the land under roads in the Council, the policy relating to the recognition must be clearly set out in Note 1<sup>54</sup>.

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43. The following Councils disclosed *non-current unrestricted cash* that was described as *cash assets*: #700
  44. #525
  45. Non matches occurred with #50, #200, #275, #425, #575
  46. #175 disclosed an internal restriction with a negative balance.
  47. #50, #300, #350, #450, #475, #500, #575
  48. Councils where this was not the case included #50, #200, #275, #400, #525, #575, #600, #625, #650, #700, #725, #750, #775
  49. We suspect that an apportionment should have been made in the case of #125
  50. #425 disclosed an increase in real estate costs attributable to interest costs that was not reflected in Note 3.
  51. #200, #225
  52. Councils where this was not the case included #75, #125, #200, #300, #425, #500, #700, #725, #850, #875 (depreciated an item with NIL carrying value)
  53. E.g. #25, #275, #450, #475, #500, #575, #625, #675, #725, #750, #850; #200 disclosed *land improvements (depreciable)* with no depreciation.
  54. Note 1 claimed that land under roads had not been capitalised, but Note 9 showed that some had been - #400; #425, #475



Assets movements in the reconciliation relate to carrying values and should match the amounts disclosed in Note 5<sup>55</sup>. Recoverable amounts written down should also be reported in Note 3 *Other Expenses* unless the amount is less than the smallest other items listed there, and should probably also be referred to in Note 1<sup>56</sup>.

The requirements of AAS 38 “Revaluation of Non-Current Assets” that all assets within a class must be subject to the same revaluation events must be complied with, even where this requires the splitting of what was previously one class of assets<sup>57</sup>.

## 20. NOTE 10 - LIABILITIES

Where a *provision for gravel pit restoration* (or similar) is made, Note 1 should report compliance with AAS 7 “Accounting for the Extractive Industries”<sup>58</sup>. The most common treatment was to disclose a *provision for loss - Statewide Mutual* but there were exceptions<sup>59</sup>. The judges endorse the separate disclosure of *non-interest bearing loans* by #25, principally because of its material amount.

## 21. NOTE 11 - RECONCILIATION TO CASH FLOW STATEMENT

The format must clearly differentiate between positive and negative reconciliation items<sup>60</sup>. Total of *reconciliation of cash* must equal Statement of Cash Flow balance<sup>61</sup>; *net cash provided by operations* must agree with Statement of Cash Flows<sup>62</sup>; *non-cash capital grants & contributions* must equal the subtotal of *non-cash financing and investing activities*.

Where the ledger records a bank overdraft at reporting date, but no formal overdraft facilities exist, the fourth section of this Note must be completed with the word NIL. Failure to do so is regarded as an incomplete Note<sup>63</sup>.

## 22. NOTE 12 - COMMITMENTS FOR EXPENDITURE

Councils who do not have joint ventures or equity accounted entities disclosed at Note 19 should not make reference to that Note here. The statement that “*Council had no commitments for (e.g.) capital expenditure at this or the previous reporting date*” in Note 1 or 12 constitutes adequate disclosure<sup>64</sup>. We consider that every Council must have some *other expenditure commitments*<sup>65</sup>. Disclosures in relation to *operating leases* must comply with paragraphs 11.2(c) and (d) of AAS 17 “Leases”<sup>66</sup>, and be consistent with disclosure of operating lease expenditures in Note 3<sup>67</sup>. The wording in the example note in the Code is not considered to meet these requirements.

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55. #475, #500

56. #775

57. #50

58. No such reference was made in Note 1 by #725

59. Disclosed as payable, but there was nothing in Notes 1 or 18 to indicate that the liability had crystallised - #300

60. This was not the case for #475.

61. Councils where this was not the case included #600, #700

62. Councils where this was not the case included #125, #350; #50, #475 retained the format last exemplified in Code Update # 8

63. #775; we were uncertain of the interpretation used in this area of disclosures by #375

64. Councils making **no** disclosure included: capital expenditure commitments - #50, #250, #400, #425, #500, #600; other expenditure commitments - #250; finance leases - #325, #350, #500, #550, #575, #600; operating leases - #350, #600, #625; *cancellable operating leases* should be disclosed as part of other operating expenditure - #100.

65. #625, #775 disclosed NIL *other expenditure commitments*. This was interpreted as failure to complete the Note.

66. Councils where, in our opinion, this was not the case included #25, #50, #75, #125, #150, #175, #200, #225, #250, #325, #375, #425, #475, #550, #575, #650, #725, #850; disclosures by #400 were considered to be of a very high standard.

67. Councils who described operating leases differently in Note 3 and 12 included #75, #125, #150, #175, #475, #550, #575, #650, #700, #725



### 23. NOTE 13 - STATEMENT OF PERFORMANCE MEASUREMENT

It is considered appropriate to disclose the full sequence of ratios for the four years<sup>68</sup>; we prefer to see the relevant year at the head of the columns<sup>69</sup>. Where a Council chooses to disclose additional ratios the explanation of the ratio and its purpose must be clear<sup>70</sup>. Where additional ratios are disclosed, there should be sufficient variation from the standard ratios to justify the additional information<sup>71</sup>. Charts, where included, must be clear and well presented<sup>72</sup>.

### 24. NOTE 14 - CONDITIONS OVER GRANTS & CONTRIBUTIONS

Unexpended grants and contributions must equal the amounts disclosed in Note 6b<sup>73</sup>; unexpended contributions must equal or exceed the unexpended balances in Note 17. We would encourage the dissection of grants into the classifications used in Note 4, as shown in Note 6 to Appendix 1 of AAS 27<sup>74</sup>.

### 25. NOTE 15 - FINANCIAL INSTRUMENTS

For the purposes of Note 15, “maturing” relates to the date of finalising or re-negotiating (e.g.) a loan. Accordingly, it is unlikely that the timing split for liabilities will be identical to the current/non-current split in Note 10<sup>75</sup>. Weighted average interest rates must be shown where appropriate<sup>76</sup>; net assets per reconciliation must agree with Statement of Financial Position<sup>77</sup>.

### 26. NOTE 16 - SIGNIFICANT VARIATIONS FROM ORIGINAL BUDGET

Explanations should be clear and concise; the larger the variance, the more detailed the explanation. Policy 11.1.1 of the Code requires the detailed budget to be prepared on an accrual basis which is interpreted as requiring the inclusion of depreciation charges<sup>78</sup>. Our review of this Note was effectively limited to the final selection of the awardee.

### 27. NOTE 17 - STATEMENT OF CONTRIBUTION PLANS

Cash contributions and interest credited during the year must agree with Note 3; non-cash contributions must agree with Note 11<sup>79</sup>; negative balances are not permitted in the *expended in advance* or *held as restricted asset columns*<sup>80</sup>; *works provided to date* must always equal or exceed *expended during year*<sup>81</sup>. Where a Council has sec 94 expended in advance, these are not permitted to be netted off against other sec 94 funds held<sup>82</sup>.

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68. Some years omitted - #150, #300

69. Councils showing “yr -1” etc. included #875

70. Councils where, in our opinion, this was not the case included #100, #150, #350.

71. We doubted that this was the case with #125, #375, #750, #775.

72. Judges were particularly impressed with the graphical presentation by #450.

73. #50, #875; #150, #575 omitted RTA contributions from Note 14.

74. #250 provided a dissection of closing unexpended special purpose grants.

75. Apparent errors in timing, etc. occurred in #75, #100, #125, #150, #250, #275, #350, #375, #400, #425, #450, #475, #500, #525, #575, #675, #700, #725, #750, #775, #825

76. Interest rates omitted for #250, #275, #425, #700, #825

77. Councils no or an incorrect reconciliation included #300, #850

78. Councils not including depreciation in their budget included #50, #150, #375, #400, #750

79. Councils where this appeared to not be the case included #300, #450, #500, #550, #625, #725

80. Councils disclosing negative balances included #125, #175, #475, #575, #725

81. Councils omitting the works provided information included #50, #425, #600, #625, #700, #725.

82. #350



## 28. NOTE 18 - ASSETS & LIABILITIES NOT RECOGNISED

Explanations should be clear and concise<sup>83</sup>.

The Statewide Mutual situation affected Council statements for the first time in 2002 and given the uncertainties and confusion surrounding the situation, the judges have not substituted their own professional views for those of the persons responsible for preparing or auditing the statements. Our attention has been directed at the adequacy and appropriateness of disclosures in relation to the treatment selected.

For the record, the treatments selected by Councils who nominated for the Award were:

Not members of Statewide Mutual or NIL liability	#25, #100; #175, #225, #475, #500, #600, #625
No disclosure identified	#275, #550
Disclosure Note 18 only, no liability (or part only) taken up	#50, #250, #575, #850, #875
Liability taken up, current only	#275, #400
Liability taken up, non-current only	#125, #200, #750
Liability taken up; apportioned current/non-current	#75, #150, #300, #325, #350, #375, #425, #450, #525, #650, #675, #700, #725, #775, #800, #825, #850

Councils who have elected not to recognise Rural Fire Service assets because they lack the necessary degree of control should report this within this Note<sup>84</sup>.

## 29. NOTE 19 - JOINT VENTURES & ASSOCIATED ENTITIES

Due to the range and complexity of various arrangements affecting Councils, considerable variation in the format and presentation of this information is completely acceptable. Required disclosures include name of the entity, interests (ownership and voting), reconciliation of carrying amount movements, expenditure commitments and contingent liabilities.

## 30. FUNDAMENTAL ERRORS & EXTRAORDINARY ITEMS

Items so described should clearly comply with the definitions in AAS 1 "Statement of Financial Performance" and be material in amount. Explanations must be clear, and full disclosures required by the Standard must be made. Retrospective amendment of comparative figures is a breach of the Standard.

No Councils reported *Fundamental Errors* or *Extraordinary Items*.

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83. We did not find the narrations for the following Councils to be entirely clear - #75, #250, #275, #600, #850

84. Not Reported - #275



Prepared by  
**DG & AB Maxwell**  
Consulting Accountants  
PO Box 5450  
Wagga Wagga NSW 2650

### 31. AUDITOR'S REPORT

Locating Auditor's Reports other than after the last Note to the Accounts is regarded as a significant breach of the Code<sup>85</sup>. Absence of either of the Auditor's Reports is viewed as the submission of draft Statements to the judging process. One Auditor's Report was qualified in relation to non-recognition of Statewide Mutual losses. Rather than merely quoting the relevant section numbers, we prefer the contents page to describe the nature of the Auditor's Reports (i.e. *Report on the Financial Statements* and *Report on the Conduct of the Audit*.)

We wish to thank all Councils nominated for the Award. In judging an award such as this, it is necessary for the judges to be critical of the Statements and for us to highlight items and presentation which we think can be improved, because that is the process that we follow in making our final selection of the awardee. Many Councils have taken much time and trouble in preparing their Statements, and we commend them on their efforts. We hope that our criticisms will be interpreted in a positive manner, and used for further improvements.

Councils who nominated for the Award may contact us by email at [davemax@ozemail.com.au](mailto:davemax@ozemail.com.au) to obtain the code reference that we have used to indicate the Council in these remarks.

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85. #25, #175, #200, #300, #350, #475, #500, #775; #375 included Auditor's covering letter & GST report before the index to the general purpose reports.