



**2008 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 general guidelines used during the judging process have been published as a separate document and is available for download from the Awards page on the Coalface web-site [www.coalface.com.au](http://www.coalface.com.au).

**2. GENERAL**

The judges compliment all Councils who submitted their Annual Statements for judging. We again noted a general improvement in technical and presentation standards, particularly when compared with the earliest years of the Award.

In making the Award, the judges may place greater emphasis on some aspects of preparation and presentation than other reviewers, particularly those concerned with statutory compliance as distinct from compliance with Australian Accounting Standards as expressed in the Code of Accounting Practice.

**3. PRESENTATION & TECHNICAL COMPETENCE**

Financial Statements prepared by a competent professional will look exactly that. We find that statements that look as if they have been “thrown together” have a far higher proportion of technical errors than statements that are well presented. The immediate impression conveyed by their appearance usually reflects the professional competence with which the statements have been prepared.

First and foremost, the Award winner will display a high level of technical competence with a presentation to match. Some Accounting Standards suggest voluntary disclosures and these are highly regarded in the judging process.

Financial Statements with the following characteristics are unlikely to do well in the Award:

- Additions errors, including non-material rounding errors.
- Rows with nil values, except where these are required disclosures.
- Excessive, non-material detail, except where these are required disclosures.



## **4. NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

In reviewing the contents of this Note, the judges have had particular regard to the following contained in paragraph 25 of the *Framework for the Preparation and Presentation of Financial Statements*:

“For this purpose, users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.”

In a number of areas, local government accounting emphasises certain techniques and characteristics that are less frequently used in commerce and other governmental operations. We have looked for policy statements that explain and clarify these differences for a user with the knowledge assumed in the *Framework*, in preference to policies that merely restate basic accounting concepts. We have also looked for policies that are irrelevant or not material to the circumstances of particular Councils.

## **5. DISCLOSURE OF CAPITALISED DEPRECIATION**

The Code requires disclosure of employee costs and depreciation, but not materials & contracts, capitalised. Where these amounts are not material, non-disclosure may be acceptable. The judges have viewed with disfavour instances where employee costs capitalised are material, but a blank line is shown for depreciation capitalised.

## **6. VALUATION DISCLOSURES - INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT**

We express our concern that insufficient attention is being given to adequate disclosure of the valuers and valuation bases of infrastructure, property, plant and equipment carried at fair value. We also suspect that some asset classes are not being disclosed in the Cost / Fair Value columns on Note 9 consistently with narrative disclosures.

## **7. COMPLEX FINANCIAL INSTRUMENTS**

Given the circumstances pertaining at the time of preparation of the Financial Statements, we have paid particular attention to the disclosure made in relation to all financial instruments.

While all auditors reports have addressed these at some length, we consider it inappropriate to rely on the auditors to make disclosures that should be made within the financial statements. We have therefore looked for clear disclosure of Council's exposure, and of the impact on Council's results for the year. Where a Council has not held complex financial instruments, we have looked for a clear disclosure to this effect. We note that the Code contains examples of the types of disclosures that may be appropriate for a Council, rather than a mandatory wording.

## **8. THE WINNER**

After extensive consideration the judges determined to declare Tamworth Regional Council the winner of this year's Award with Ballina Shire Council a close second. The Annual Financial Statements prepared by Dubbo City Council, Greater Taree City Council, Parkes Shire Council and Randwick City Council were also highly commended.