

Year end preparation 2015-16

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FinPro Professional Development Seminar
26 May 2016

Content

- **Model financial report**
- **Accounting for landfills**
- **Audit hot spots**
- **Superannuation**
- **AASB 10 & 11 assessment**
- **Area of focus – Asset valuation**
- **Performance reporting**
- **Sustainability indicators**
- **In house / ASP**

Model financial report

- Compulsion & consistent application = comparability
- Model: minimum to comply
- Additional disclosure: only where necessary and not covered by Model & Better Practice Guide
- Changes not significant for 2015-16
- Recent LGV workshops should assist
- Useful to have “shell” financial report ahead of year end with 14-15 comparatives

Accounting for landfills

- Some Councils are having significant landfill activity – impacted by closures such as Clayton South Regional Landfill
- Concern as to consistent asset & liability measurement across LG sector
- Draft Guidance Statement deals with site improvements, airspace asset & prov'n for rehab
- Sound worked example is provided to indicate required journal entries
- Councils need to review annually the key assumptions inc. after closure costs underpinning the assessment of the rehabilitation obligation

Audit hot spots

- Property & infrastructure valuations – analysis of movement
- Found assets & error corrections – can be significant
- Capitalisation – completed projects, componentisation, repairs & maintenance
- Depreciation – ready for use, useful lives
- Contractual commitments – capital, operating & lease
- Contingencies – legal actions, guarantees
- Employee entitlements – data integrity

Superannuation

- Volatile investment markets – early concern, raised in audit strategies
- VisionSuper monitoring – qtrly/mthly VBI
- Strategies (hedging) had been in place to reduce impact of sharp falls
- Note 35 in Model is current disclosure required & ref is made in note 36 to potential future call
- Action only required where $VBI < 100\%$ at 30 Jun

AASB 10 & 11 assessment (repeated)

- AASB 10: changed definition of “control”
- AASB 11: joint arrangement = joint operations or joint venture
- Individual council must conduct and document its assessment
- VAGO needs to be alerted on establishment of any new entities and intentions as to how & when these are to be acc/ed for

Area of focus – Asset valuation

- To date – questionnaires & deep dives completed
- May / Jun – collating results & drafting report material
- Questions on fixed asset system, policy & procedures, management practices and governance & oversight
- Learnings will directly assist in undertaking 15-16 financial audit
- Early concern that details of significant revaluations are not being conveyed to Audit Committee and Council

In house / Audit service provider

- Seeking consistency of approach on all key processes
- Early verification (May / June) to ensure “no surprises” e.g. shell financial report plus other areas?
- Councils themselves should do an interim health check e.g. thorough review of main acc/ing recs at April
- ASP work is monitored closely by In house staff – planning, interim, early verification & final stages of the financial audit
- Quick turnaround on key deliverables e.g. audit strategies, draft financial report

Performance reporting

- 2nd year = now 2 columns
- Revised version of Workbook issued
- Various amendments = key terms redefined e.g. library collection now includes e-books
- Dealing with changes – no revision of comparatives - refer to only in commentary
- Take care with nature & quantum of commentary on “material variations”

Sustainability indicators

- Changes 2014-15
 - Net result has replaced underlying result – former comes directly from Statement of comprehensive income
 - *Internal financing has replaced self-financing
- * Net operating cash flows / net capital expenditure vs net operating cash flows / underlying revenue
- Differences with LGPRF continue e.g. VAGO renewal gap includes upgrades
- Reinstatement of detailed tables (Appendix) for individual councils

Thank you!

For further information please contact:

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