POLICY

TITLE:	PRINCIPLE ACCOUNTING POLICY		
DIVISON:	OPERATIONS		
ADOPTED BY:	CEO		
DATE OF ADOPTION:	26 April 2023	DATE OF REVIEW:	26 April 2028
POLICY NUMBER:	FIN03		
LEGISLATIVE REF:	*Part 2 Local Government (General) Regulations 2021* International Financial Reporting Standards Urgent Issues Group Interpretations Australian Accounting Standards		

THIS POLICY APPLIES TO: All Council employees

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. PURPOSE

This policy explains the accounting policy process and refers to the locations of principle accounting policies.

2. SCOPE

- To provide a true and fair view of the Barkly Regional Council's financial position and the basis upon which that assessment has been made for the guidance of ratepayers, electors, creditors, regulators government in general and other stakeholders.
- To achieve compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations (UIGs) and relevant Northern Territory legislation.
- To achieve an unqualified audit report on the Annual Financial Statements.

Barkly Regional Council (BRC) is incorporated under the Northern Territory *Local Government Act 2019* and has its principle place of business at 41 Peko Road, Tennant Creek Northern Territory Australia.

Annual financial statements are prepared pursuant to the requirements of the *Local Government Act 2019* and the relevant accounting standards and include the consolidated fund and all entities through which Council controls resources to carry on its functions.

3. POLICY STATEMENT

- The principle accounting policies made by the CEO at any time are set out in the most recent audited annual financial statements including within the Council's Annual Report.
- Significant Accounting Policies will be reviewed in conjunction with preparation of the BRC annual financial statements (where practicable proposals to change policies should be reported to Audit and Risk committee and council's finances committee during the financial year that will be first impacted by the change).

4. DEFINITIONS

Significant and principle accounting policies: Those accounting policies that warrant inclusion in the Council's Annual Finance Statements.

5. LEGISLATIVE REFERENCES

Relevant legislative and other references include:

Australian equivalents to International Financial Reporting Standards (AIFRS) as they apply to not-for-profit entities, other authoritative pronouncements of the Australian Standards Board, Urgent Issues Group Interpretations (UIGs) and relevant Northern Territory legislation, specifically *Part 2 of the Local Government (General) Regulations 2021.*

6. PROCEDURES AND RELATED DOCUMENTS

Annual reports (including Financial Statements)

7. RESPONSIBILITY AND APPLICATION

Implementation of this policy is by way of preparation of the Council's annual financial statements.

PROCEDURES

1. REVENUE RECOGNITION

Revenue is measured at the fair value of consideration received or receivable. Revenue is measured on major income categories as follows:

1.1 Rates

Rates are recognised as revenue when the Council obtains control over the asset comprising the receipt. Rates are an enforceable debt linked to rateable property that will be recovered when the property is sold, and therefore control normally passes at the time of levying or where earlier upon receipt of rates paid in advance. The rating period and reporting period for Council coincide and accordingly, all rates levied for the year are recognised as revenue.

Uncollected rates are recognised as receivables. A provision is recognised when full collection is no longer probable.

1.2 Grants, Donations and Other Contributions

Grants, donations and other contributions are recognised as revenues when Council obtains control over, or the right to receive the assets, it is probable that future economic benefits comprising the asset will flow to Council and the amount can be readily measured. Control over granted and contributed assets is normally obtained upon the receipt (or acquittal) and is valued at their fair value at the date of transfer. Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when received.

1.3 Interest Revenue

Interest is recognised as it accrues, when future economic benefits will flow to Council and can be measured reliably.

2. CASH AND CASH EQUIVALENTS

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

3. MONIES RECEIVED AND BANKING

Monies received shall be recorded by an entry for each individual transaction and the payer shall be issued with a receipt/tax invoice upon request. Receipts shall be issued in numerical sequence and details of each receipt shall be retained for the period.

Monies received by an officer or employee of Council must be paid into an authorised deposit account and banked as soon as practicable on or after the day of receipt. Detailed records of Council's banking activities must be kept and if there is an IT failure a manual receipting procedure should be used. Banking shall be reconciled with receipts. In the intervening periods between banking, funds received will be deposited in the safe.

4. FINANCIAL INSTRUMENTS

A financial instrument is recognised if Council becomes a party to the contractual provisions of the instrument. Financial assets are recognised at trade date (less impairment). Financial assets are de-recognised if Council transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are de-recognised if Council's obligations specified in the contract expire or are discharged or cancelled.

4.1 Financial Assets

Council classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial instrument was acquired. Council determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each reporting date.

4.2 Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method less impairment.

4.3 Effective Interest Rate Method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums on discounts) through the expected life of the financial assets, or where appropriate, a shorter period.

4.4 Impairment of Financial Assets

Financial assets are reviewed at each Statement of Financial Position date to determine whether there is objective evidence of impairment. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition that indicates it is probable that the entity will be unable to collect all amounts due. The carrying amount of a financial asset identified as impaired is reduced to its estimated recoverable amount.

4.5 De-Recognition of Financial Assets

Council de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership to another entity. If Council neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, Council recognises its retained interest in the asset and an associated liability for the amounts it may have to pay. If Council retains substantially all the risks and rewards of ownership of a transferred financial asset, Council continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4.6 Financial Liabilities

Council classifies its financial liabilities as other financial liabilities. The classification pertains to financial liabilities that are not held for trading or not designated as at Fair Value through Profit & Loss (FVPL) upon inception of the liability. The classification depends on the purpose for which the financial liability was incurred. Council determines the classification of its financial liability at initial recognition and re-evaluates this designation at each repotting date.

4.7 Trade and Other Payables

These amounts represent liabilities for goods and services provided to Council prior to the end of the financial year which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

4.8 Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Borrowings are subsequently measured at amortised cost using the effective interest rate method with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

5. INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value

represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

6. PROPERTY, PLANT AND EQUIPMENT

6.1 Recognition of Property, Plant and Equipment

Property, plant and equipment is recognised at cost less accumulated depreciation and any impairment allowance. Cost includes expenditure that is directly attributable to the acquisition. Cost related to property, plant and equipment gifted, donated or granted to Council or transferred to Council from the former constituent councils is the fair value of the asset, plus cost directly attributable to the acquisition.

Recognition occurs at such time as an item is physically located and identified as being under the control of Council by its management, thereby allowing its future economic benefit to flow to Council.

6.2 Revaluation of Property, Plant and Equipment

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Council's property, plant and equipment are revalued by an independent valuer along with buildings and infrastructure every three years.

The fair value of plant and equipment, furniture and fittings and motor vehicles was determined based on the amount for which the assets could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reverses a previous revaluation decrement of the same asset class that was previously recognised in surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reverse a previous revaluation increment for that class.
Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset is restated to the revalued amount.

6.3 Depreciation

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected
useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

6.4 Land under roads

Council has elected not to value or recognise as an asset land under roads acquired prior to 1st July, 2008 in accordance with the election available under AASB 1051 *Land under roads.* Lands under roads acquired after 1st July, 2008 will be recognised at cost. The cost of the land under roads will be the fair value as at the date acquired.

7. IMPAIRMENT OF ASSETS

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such an indication exists and where the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefits of an asset is not primarily dependent on an asset's ability to generate further cash flows, and the asset would be replaced if Council was deprived of the asset, its value in use is taken to be the depreciated replacement cost.

Impairment losses are recognised in surplus/deficit for the year.

8. EMPLOYEE BENEFITS

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

The superannuation expense for the year is the amount of the contribution Council makes to the superannuation plan, which provides benefits for employees.

Defined Contribution Plans

Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

9. TAXATION

Council is tax exempt under Section 50-25 of the *Income Tax Assessment Act 1997,* being a local governing body.

10. GOODS AND SERVICES TAX

Revenue, expenses and assets are recognized net of the goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Authority, it is recognised as part of the cost of acquisition of an asset or as part of a term of expense; or

- for receivables and payables which are recognised as inclusive of GST, the net amount of GST recoverable from, or payable to, the Australian Taxation Authority is included as part of receivables or payables.

11. ECONOMIC DEPENDENCE

Each year Council receives grants from the Northern Territory and Australian Governments and the future operation of the Council is dependent upon continued government funding.

12. NATURE AND PURPOSE OF RESERVES

12.1 Asset Revaluation Reserve

The asset revaluation reserve is used to record the increments and decrements in the fair value of Council's property, plant and equipment to the extent that such decrements relate to a net increment on the same asset previously recognised in the reserve.

12.2 Asset Replacement Reserve

An Asset Replacement Reserve is an amount of money set aside because building components or equipment will wear out in a relatively short time and need to be replaced. Replacement reserves can be a mere accounting entry as a phantom expense item reducing net Operations income each month, or it can be money actually deposited into an account and earmarked for replacements.

Approved/~~Not Approved~~ Russell Anderson 26 / 4 /23
A/Chief Executive Officer