

South Australia

# **Local Government (Financial Management) Regulations 1999**

under the *Local Government Act 1999*

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## Part 1—Preliminary

### 1—Short title

These regulations may be cited as the *Local Government (Financial Management) Regulations 1999*.

### 2—Commencement

These regulations will come into operation on the day on which Chapter 8 of the *Local Government Act 1999* comes into operation.

### 3—Revocation

The following regulations are revoked:

- (a) the *Local Government Accounting Regulations 1993* (see *Gazette 29.4.1993 p1526*), as varied;
- (b) the *Local Government (Long Service Leave) Regulations 1987* (see *Gazette 12.2.1987 p354*), as varied;
- (c) the *Local Government (Section 166A—Insurance) Regulations 1995* (see *Gazette 23.3.1995 p1010*).

### 4—Interpretation

In these regulations, unless the contrary intention appears—

*Act* means the *Local Government Act 1999*;

*Australian Accounting Standard* means any Australian Accounting Standard, as published and amended from time to time by the Institute of Chartered Accountants in Australia and the Australian Society of Certified Practising Accountants;

*budget* means—

- (a) a budget prepared by a council under section 123 of the Act; or
- (b) a budget prepared by a subsidiary under clause 9 of Schedule 2 of the Act; or
- (c) a budget prepared by a regional subsidiary under clause 25 of Schedule 2 of the Act;

*equity* means the residual interest in the assets of a council, council subsidiary or regional subsidiary after the deduction of its liabilities;

*financial statements* are constituted by the following:

- (a) an operating statement; and
- (b) a statement of financial position; and
- (c) a statement of changes in equity; and
- (d) a statement of cash flows,

prepared by a council, council subsidiary or regional subsidiary under the Act and include appropriate notes and other explanatory documentation to be read in conjunction with the statements referred to above;

*full cost attribution basis* means a system under which all costs, including indirect and overhead costs, are allocated to a function, activity, good or service on a reliable and consistent basis (which may be unique to a particular council, council subsidiary or regional subsidiary);

*infrastructure* means assets which are integral to public facilities that provide essential public services and which, once constructed, have indefinite lives of a long-term nature<sup>1</sup>;

*material* has the same meaning as in Australian Accounting Standard AAS 5.

**Examples—**

- 1           Roads, footpaths, bridges, storm-water drains, common effluent drainage systems, water pipes, windmills, jetties, monuments, bores.

## Part 2—Budgets

### 5—Form of council budgets

- (1) Pursuant to section 123(2)(b) of the Act, each budget of a council prepared under the Act must, in order to ensure that a direct comparison can be made between the budget and actual outcomes, include the following documents:
- (a) a budgeted operating statement; and
  - (b) a budgeted statement of financial position; and
  - (c) a budgeted statement of changes in equity; and
  - (d) a budgeted statement of cash flows; and
  - (e) a statement reconciling expected cash and non-cash revenues and expenses in order to provide a basis for determining the rates to be imposed by the council for the relevant financial year.
- (2) The statements referred to in subregulation (1)(a), (b), (c) and (d) must be in accordance with the forms set out in the Schedule.

### 6—Provision of subsidiary budgets to councils

- (1) For the purposes of clause 9(2)(e) of Schedule 2 of the Act, a copy of a budget adopted by a subsidiary must be provided to the chief executive officer of the relevant council within five business days after its adoption.
- (2) For the purposes of clause 25(2)(e) of Schedule 2 of the Act, a copy of a budget adopted by a regional subsidiary must be provided to the chief executive officer of each constituent council within five business days after its adoption.

### 7—Reconsideration of budgets

- (1) A council, council subsidiary or regional subsidiary must reconsider its budget at least three times, at intervals of not less than three months, between 30 September and 31 May (both dates inclusive) in the relevant financial year.
- (2) The first reconsideration of a budget under subregulation (1) in a particular financial year must include a review in relation to the audited financial statements of the council, council subsidiary or regional subsidiary (as the case may be) for the previous financial year.

## Part 3—Accounting principles

### 8—Accounting standards

- (1) Unless otherwise specified by these regulations, a council, council subsidiary or regional subsidiary must ensure that all accounting records, accounts and financial statements are prepared and maintained in accordance with all relevant Australian Accounting Standards.
- (2) Unless otherwise required or permitted by another law, a council, council subsidiary or regional subsidiary must ensure that reporting on a function, activity, good or service of the council, council subsidiary or regional subsidiary contained in its financial statements, or in any other external financial report prepared by the council, council subsidiary or regional subsidiary, is made according to a full cost attribution basis.
- (3) For the purposes of subregulation (2), an external financial report is a report of a financial nature prepared for the information and use of a person or body external to the council, the council subsidiary and the council which established the subsidiary, or the regional subsidiary and any constituent council (as the case may be).
- (4) A council, council subsidiary or regional subsidiary is not required to comply with subregulation (2) until in respect of the 2002/2003 financial year.

### 9—Revaluation of assets

- (1) A council, council subsidiary or regional subsidiary must undertake a revaluation of all material non-current assets in accordance with the requirements of any relevant Australian Accounting Standard.
- (2) Unless otherwise determined by an Australian Accounting Standard, land and infrastructure must be revalued under subregulation (1) at least once in every five years.
- (3) Revaluations may be undertaken on a rolling basis according to different classes or categories of assets.

## Part 4—Financial statements

### 10—Form of financial statements

The financial statements of a council, council subsidiary or regional subsidiary (other than notes and other explanatory documentation) must be in accordance with the forms set out in the Schedule.

## 11—Certification and adoption of council financial statements

The following statements must be included on the final page of the financial statements of a council:

### Chief Executive Officer's statement

I, ..... the person for the time being  
occupying the position of chief executive officer of .....

.....  
do hereby state that the financial statements for the council for the ...../..... financial year are  
to the best of my knowledge presented fairly and in accordance with accounting procedures  
which have been maintained in accordance with the *Local Government Act 1999* and the *Local  
Government (Financial Management) Regulations 1999* made under that Act.

.....  
(Signed)

.....  
(Dated)

### Adoption statement

Laid before the .....  
and adopted on.....

.....  
(Principal member of the council)

## 12—Prescribed day

The prescribed day for the purposes of section 127(2)(a) of the Act is the second Friday in September in the financial year immediately following the end of the relevant financial year.

## 13—Provision of information

- (1) Pursuant to section 127(4) of the Act, a council must, on or before 30 November in each year, submit a copy of the audited financial statements of the council for the immediately preceding financial year to—
  - (a) the Minister; and
  - (b) the presiding member of the South Australian Local Government Grants Commission; and
  - (c) the South Australian Regional Director of the Australian Bureau of Statistics.
- (2) The statements submitted under subregulation (1) must be accompanied by information that accords with the "Supplementary Data to the Financial Statements" issued by the Australian Bureau of Statistics for use by councils.
- (3) The chief executive officer of the council must certify that the information provided under subregulation (2) has been reconciled to, and is consistent with, the audited financial statements of the council.

## **Part 5—Audit**

### **Division 1—Audit standards**

#### **14—Audit standards**

- (1) An audit of the financial statements of a council, council subsidiary or regional subsidiary must be carried out in accordance with the Auditing Standards and Auditing Guidance Statements published (and amended from time to time) by the Institute of Chartered Accountants in Australia and the Australian Society of Certified Practising Accountants.
- (2) In forming an audit opinion for a council under section 129(3) of the Act, the auditor must give due consideration to the adequacy of the council's policies, practices and procedures of internal control under section 125 of the Act.

### **Division 2—Subsidiaries**

#### **15—The auditor of a subsidiary**

- (1) A council subsidiary or regional subsidiary must have an auditor.
- (2) The auditor must be—
  - (a) a registered company auditor; or
  - (b) a firm comprising at least one registered company auditor.
- (3) A person is not eligible to be the auditor of a subsidiary if—
  - (a) the person is a member of the board of management of the subsidiary; or
  - (b) the person is a member of the council which established the subsidiary or, in the case of a regional subsidiary, a member of a constituent council; or
  - (c) the person is a nominated candidate for election as a member of the council which established the subsidiary or, in the case of a regional subsidiary, is a nominated candidate for election as a member of a constituent council.
- (4) The office of auditor of a subsidiary becomes vacant if—
  - (a) the auditor dies; or
  - (b) the auditor resigns by written notice to the person who has been appointed to chair the board of management of the subsidiary; or
  - (c) the auditor is not or ceases to be eligible for appointment as the auditor; or
  - (d) the auditor accepts remunerated office or employment from the subsidiary or—
    - (i) in the case of a council subsidiary—the council which established the subsidiary; or
    - (ii) in the case of a regional subsidiary—a constituent council; or
  - (e) the term of appointment of the auditor expires and the auditor is not reappointed; or

- (f) the auditor is removed from office by the subsidiary for reasonable cause.

## 16—Reporting

- (1) The financial statements of a subsidiary prepared for a particular financial year must be audited by the subsidiary's auditor.
- (2) The financial statements for a financial year must be finalised and audited in sufficient time to meet the requirements of the relevant council or councils under clause 12(2) or 28(1) of Schedule 2 of the Act (as the case may be).
- (3) Unless otherwise required by an Australian Accounting Standard, a council must, in respect of each subsidiary established by the council or for which the council is a constituent council (as the case may be) include, by way of a note to its financial statements—
  - (a) information that identifies the subsidiary, and describes its nature and purpose; and
  - (b) information on the financial contributions that have been made by the council to the subsidiary, or by the subsidiary to the council, during the financial year; and
  - (c) other financial information relevant to the relationship between the council and the subsidiary (from a financial perspective), including information relating to financial guarantees provided by the council, and to any contingent liabilities that may exist.
- (4) The chief executive officer of a council must ensure that any audited financial statements of a subsidiary received for the purposes of clause 12(3)(a) or 28(2)(a) of Schedule 2 of the Act are laid before the council at the first meeting of the council following their receipt by the chief executive officer on behalf of the council.

## Part 6—Other matters

### 17—Long service leave

- (1) In this regulation—

*council* has the same meaning as in section 106 of the Act;

*ordinary pay* means a person's ordinary weekly rate of pay within the meaning of the *Long Service Leave Act 1987*.
- (2) Section 106 of the Act applies to the following authorities or bodies:
  - (a) the LGA;
  - (b) a control board established under section 15 of the *Animal and Plant Control (Agricultural Protection and Other Purposes) Act 1986*;
  - (c) the Maxima Training Group Inc.

- (3) If an employee leaves the service of one council (Council A) and enters the service of another council (Council B) in circumstances in which the employee is entitled to the benefit of section 106(1) of the Act, the contribution to be made by Council A to Council B is to be calculated in accordance with the following formula:

$$C = \frac{1.3 \times r \times n}{52}$$

where—

*C* is the amount of the contribution; and

*r* is the rate of ordinary pay of the employee at the date of termination of employment with Council A; and

*n* is the number of completed weeks of service of the employee at the date of termination of employment with Council A, including any previous periods of service which are to be aggregated with the period of service with Council A so as to form a continuous period of service for the purposes of section 106(1) of the Act but not including a period of service in respect of which the employee has been granted long service leave or received payment in lieu of long service leave.

- (4) If—
- (a) a contribution is made under section 106 of the Act by one council to another council in respect of a particular employee; but
  - (b) the service of the employee ceases before an entitlement to long service leave or payment in lieu of long service leave arises, and the employee does not within 13 weeks of the cessation of service again become entitled to the benefit of section 106(1),

the council that received the contribution must refund the amount of the contribution to the council by which the contribution was paid.

- (5) If a council receives a refund under this regulation, but the council itself derived portion of the amount refunded from some other council, the council must refund that portion of the amount to that other council.

## 18—Duty to insure against liability

For the purposes of section 142(1) of the Act, a council must take out and maintain insurance to cover its civil liabilities at a minimum level of cover of \$50 million.



## Schedule—Financial statements

(Regulation 5)

**[Name of Council]**

**Operating Statement for the year ended 30 June 20xx**

	Note	20xx		20xx	
		\$	\$	\$	\$
<b>OPERATING REVENUE</b>					
Rates					
—General		XXX		XXX	
—Other		XXX		XXX	
Statutory Charges		XXX		XXX	
User Charges		XXX		XXX	
Operating Grants and Subsidies		XXX		XXX	
Investment Income		XXX		XXX	
Reimbursements		XXX		XXX	
Gain on Disposal of Non-Current Assets		XXX		XXX	
Commercial Activity Revenue		XXX		XXX	
Other		XXX		XXX	
<b>TOTAL OPERATING REVENUE</b>			XXX		XXX
<b>OPERATING EXPENSES</b>					
Employee Costs		XXX		XXX	
Contractual Services		XXX		XXX	
Materials		XXX		XXX	
Finance Charges		XXX		XXX	
Depreciation		XXX		XXX	
Loss on Revaluations		XXX		XXX	
Loss on Disposal of Non-Current Assets		XXX		XXX	
Other		XXX		XXX	
<b>TOTAL OPERATING EXPENSES</b>			XXX		XXX
Operating Surplus/(Deficit) before Capital Revenues			XXX		XXX
<b>CAPITAL REVENUES</b>					
Capital Grants, Subsidies and Monetary Contributions			XXX		XXX
Physical resources received free of charge			XXX		XXX
Operating Surplus/(Deficit) after Capital revenues and before Abnormal and/or Extraordinary Items			XXX		XXX
Abnormal Items			XXX		XXX
Extraordinary Items		XXX			XXX
Net Surplus/(Deficit) resulting from Operations		XXX			XXX

**[Name of Council]**

**Statement of Financial Position as at 30 June 20xx**

	Note	20xx		20xx	
		\$	\$	\$	\$
<b>CURRENT ASSETS</b>					
Cash		XXX		XXX	
Receivables		XXX		XXX	
Inventory		XXX		XXX	
Investments		XXX		XXX	
Other		XXX		XXX	
<b>TOTAL CURRENT ASSETS</b>			XXX		XXX
<b>CURRENT LIABILITIES</b>					
Bank Overdraft		XXX		XXX	
Creditors		XXX		XXX	
Provisions		XXX		XXX	
Loans		XXX		XXX	
Other		XXX		XXX	
<b>TOTAL CURRENT LIABILITIES</b>			XXX		XXX
<b>Net Current Assets/(Current Liabilities)</b>			XXX		XXX
<b>NON-CURRENT ASSETS</b>					
Receivables		XXX		XXX	
Inventory		XXX		XXX	
Investments		XXX		XXX	
Land		XXX		XXX	
Buildings		XXX		XXX	
Infrastructure		XXX		XXX	
Equipment		XXX		XXX	
Furniture and Fittings		XXX		XXX	
Other		XXX		XXX	
<b>TOTAL NON-CURRENT ASSETS</b>			XXX		XXX
<b>NON-CURRENT LIABILITIES</b>					
Creditors		XXX		XXX	
Provisions		XXX		XXX	
Loans		XXX		XXX	
Other		XXX		XXX	
<b>TOTAL NON-CURRENT LIABILITIES</b>			XXX		XXX
<b>NET ASSETS</b>			XXX		XXX
<b>EQUITY</b>					
Accumulated Surplus		XXX		XXX	
Reserves		XXX		XXX	
<b>TOTAL EQUITY</b>			XXX		XXX

**[Name of Council]**

**Statement of Changes in Equity for the Year Ended 30 June 20xx**

	Note	20xx		20xx	
		\$	\$	\$	\$
<b>ACCUMULATED SURPLUS</b>					
Balance at beginning of period		XXX		XXX	
Net Surplus/(Deficit)		XXX		XXX	
Transfers from reserves		XXX		XXX	
Transfers to reserves		(XXX)		(XXX)	
Balance at end of period			XXX		XXX
<b>ASSET REVALUATION RESERVE</b>					
Balance at beginning of period		XXX		XXX	
Transfers to reserve—Revaluation increment		XXX		XXX	
Transfers from reserve—		(XXX)		(XXX)	
balance at end of period			XXX		XXX
<b>..... RESERVE</b>					
Balance at beginning of period		XXX		XXX	
Transfers to reserve from .....		XXX		XXX	
Transfers from reserve to .....		(XXX)		(XXX)	
Balance at end of period			XXX		XXX
<b>..... RESERVE</b>					
Balance at beginning of period		XXX		XXX	
Transfers to reserve from .....		XXX		XXX	
Transfers from reserve to .....		(XXX)		(XXX)	
Balance at end of period			XXX		XXX
<b>TOTAL EQUITY</b>			<b>XXX</b>		<b>XXX</b>

**[Name of Council]**

**Statement of Cash Flows for the Year Ended 30 June 20xx**

	Note	20xx		20xx	
		\$	\$	\$	\$
		Inflows (Outflows)		Inflows (Outflows)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts		XXX		XXX	
Payments		(XXX)		(XXX)	
NET CASH USED IN OPERATING ACTIVITIES			XXX		XXX
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Receipts					
Loans Received		XXX		XXX	
Payments					
Principal Repayments		(XXX)		(XXX)	
NET CASH USED IN FINANCING ACTIVITIES			XXX		XXX
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>					
Receipts					
Capital Grants/Subsidies		XXX		XXX	
Contributions					
Sale of		XXX		XXX	
Sale of		XXX		XXX	
Payments					
Purchase of		(XXX)		(XXX)	
Purchase of		(XXX)		(XXX)	
NET CASH USED IN INVESTMENT ACTIVITIES			XXX		XXX
NET INCREASE (DECREASE) IN CASH HELD			XXX		XXX
CASH AT BEGINNING OF REPORTING PERIOD			XXX		XXX
CASH AT END OF REPORTING PERIOD			XXX		XXX

## Legislative history

### Notes

- Variations of this version that are uncommenced are not incorporated into the text.
- For further information relating to the Act and subordinate legislation made under the Act see the Index of South Australian Statutes.

### Principal regulations and variations

New entries appear in bold.

Year	No	Reference	Commencement
1999	244	<i>Gazette 25.11.1999 p2885</i>	1.1.2000: r 2
2003	147	<i>Gazette 12.6.2003 p2500</i>	12.6.2003: r 2
2005	271	<i>Gazette 15.12.2005 p4332</i>	1.5.2006: r 2

### Provisions varied

New entries appear in bold.

Provision	How varied	Commencement
r 16		
r 16(2)	varied by 147/2003 Sch 1	12.6.2003
Sch	heading substituted by 147/2003 Sch 1	12.6.2003