

FINANCIAL MANAGEMENT

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Finance Fundamentals

Allan R. Holmes
Contractor to MAV
Finance & Insurance
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AGENDA

- Statutory Obligations
- Council Plan/Budgets/Annual Report
- Accrual and cash accounting
- Understanding Financial Statements
- Key Questions to Ask
- Areas that can cause concern
- Councillor responsibilities

Local Government Act Part 7

Sections 136 to 150

- Principles of sound Financial Management
- Budgeting and reporting framework
- Quarterly Statements
- Audit committee
- Investments
- Borrowings

Local Government Act Part 6

Sections 125 to 135

- Council Plan
- Strategic Resource Plan
- Preparation & adoption of budget
- Annual Report
 - audit
- Performance Statement
 - audit
- Meeting to consider Annual Report

Council Plan/Budgets/Annual Report

- Connected
- Five year resources plan to deliver objectives and strategies
- Standard Statements – Financial Statements, Capital Works Program (enables comparison).

Key Questions to Ask

- Is there an underlying Surplus? Long term survival
- Is Working Capital positive?
- Is there enough cash? Short term survival
- Is debt in control?
- Is depreciation increasing due to lack of maintenance?
- Are Capital Works on time and budget cost?
- What are the contingencies?

Potential Problem Areas

- Recurrent Deficits
- Confusing Operating and Capital
- Asset maintenance and renewal
- Physical Services- capital works, costing, plant acquisitions & disposals and maintenance.
- Human Services – grant funding and relationships to other tiers of Govt

Asset Management

- Local Government Assets
- Councillor Responsibilities
- Impacts of Poor Asset Management

Local Government Assets

- Roads
- Drains
- Buildings
- Recreation Facilities
- Parks and Gardens
- Other

Councillor Responsibilities

- **Maintenance/renewal**
 - Adequate Investment
 - Retirement of Assets
- **New Assets**
 - Whole of Life Assessment
 - Financing
 - Internal cash funding
 - Debt funding

Impacts of Poor Asset Management

- Transfer liability to future generations
- Degradation in service delivery
- Higher future costs
- Negative impact on economic potential of business in area

Some other Councillor Responsibilities

- Ensuring reporting timelines are met
- Ensuring open communication with Auditors
- Agreeing Audit Committee terms of reference
- Ensuring Council assets are protected via good systems/insurance

QUESTIONS
