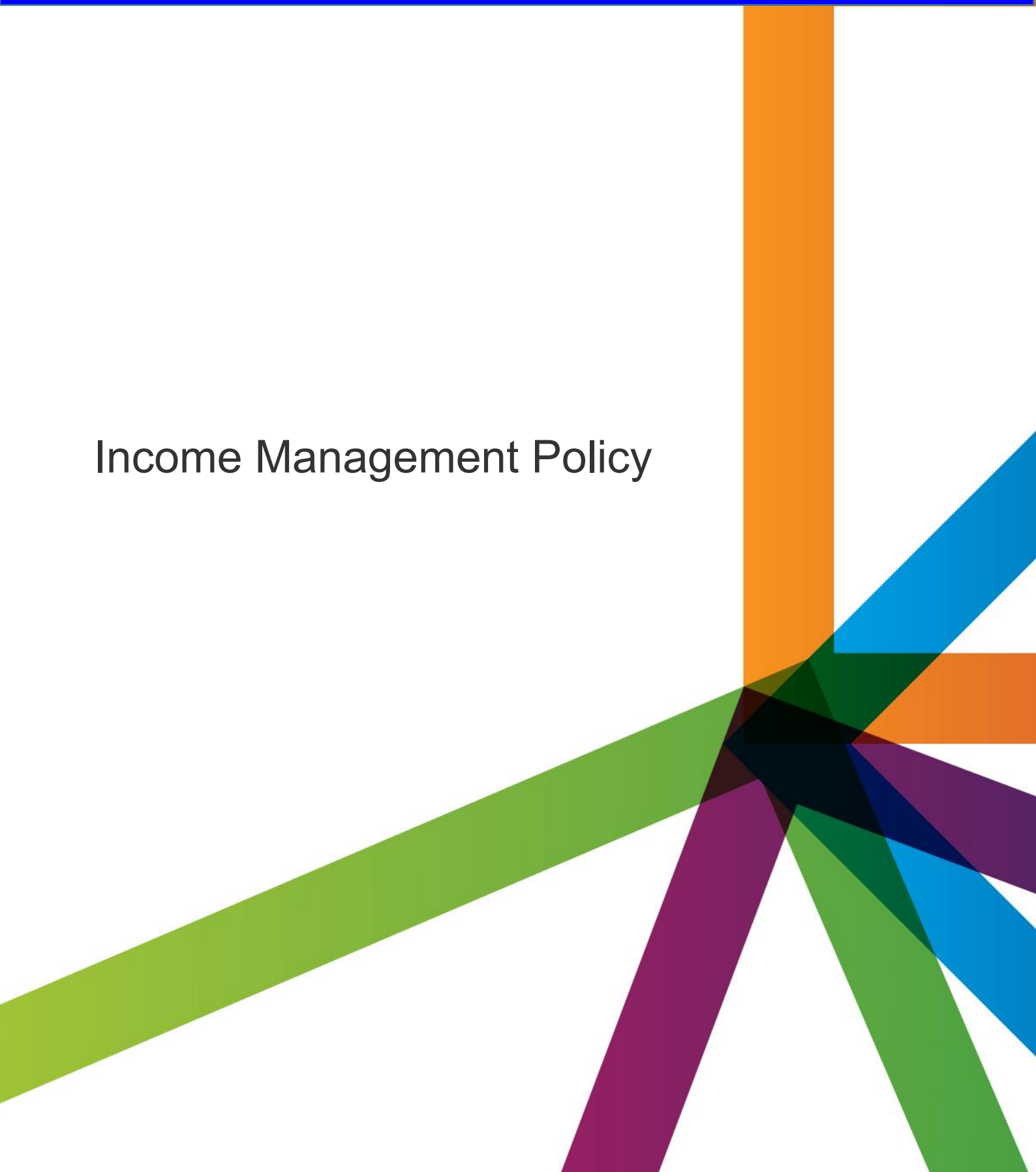


Illawarra Shoalhaven Joint Organisation Policy Manual

Income Management Policy



1. Policy Statement

This policy has been developed to provide guidelines and procedures for Revenue management treatment under the [Accounting Standard AASB 14 Revenue from Contracts with Customers](#).

Definition:

Revenue - an increase in economic benefits during the reporting period arising from using, selling, transferring assets or their enhancements or from decreases of liabilities, which results in an increase in equity, other than that relating to additional owners' contributions.

2. Scope

This procedure applies to all ISJO staff, including Board members and all consultants, contractors, temporary or casual employees who are involved in any debt management.

3. Objectives

The objectives of this policy are to:

- Provide a guideline on how to assess income
- Provide a standard for all Revenue to be assessed and approved
- Provide clarity of accountabilities and guidance for staff engaged in Revenue recognition and statutory compliance.

4. Overview

4.1 Recognising Revenue

Under AASB 15, revenue is recognised when (or as) a performance obligation is satisfied by transferring a promised good or service (i.e. an asset) to a customer. Transfer occurs when, or as, the customer obtains **control** of the good or service. "Control" of the good or service (asset) is the ability of an entity to:

- Direct the use of the asset
- Obtain substantially all of the remaining benefits from the asset (e.g. by using the asset to produce goods or provide services, to enhance the value of other assets, or being able to sell the asset or pledge it as security for a loan), and
- Prevent others from directing the use of, and obtaining the benefits from, the asset.

A performance obligation may be satisfied:

- At a point in time, or
- Over time

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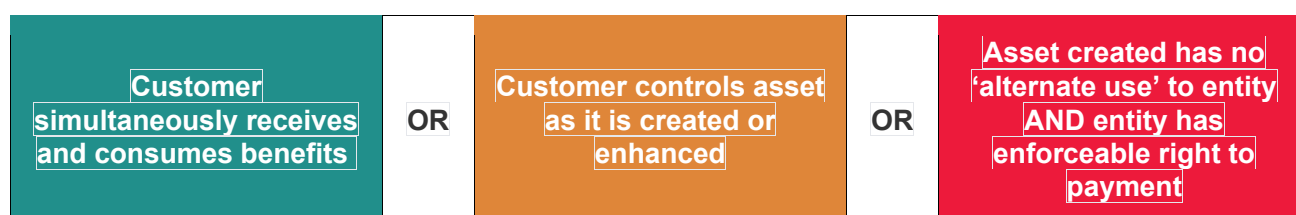
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4.2 Over time

AASB15 contains the requirements for recognising revenue **over time**. An entity transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue **over time** only if at least **one** of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs (this would occur, for example, in relation to the provision of nightly office cleaning services)
- The entity's performance creates or enhances an asset (for example, work-in-progress) that the customer controls as the asset is created or enhanced, or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.



With respect to the third criterion above, an asset created does not have an alternative use to an entity if the entity is:

- Contractually restricted from directing the asset for another use during its creation or enhancement, or
- Practically limited from readily directing the completed asset for another use.

An 'enforceable right to payment for performance completed to date' requires the entity to be entitled to an amount that at least compensates the entity for performance completed to date if the contract is terminated by the customer or another party for reasons other than the entity's failure to perform as promised.

4.3 Point in Time

If a performance obligation is not satisfied over time, an entity satisfies the performance obligation at a **point in time**. To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the entity must consider the indicators of the transfer of control, which include, but are not limited to:

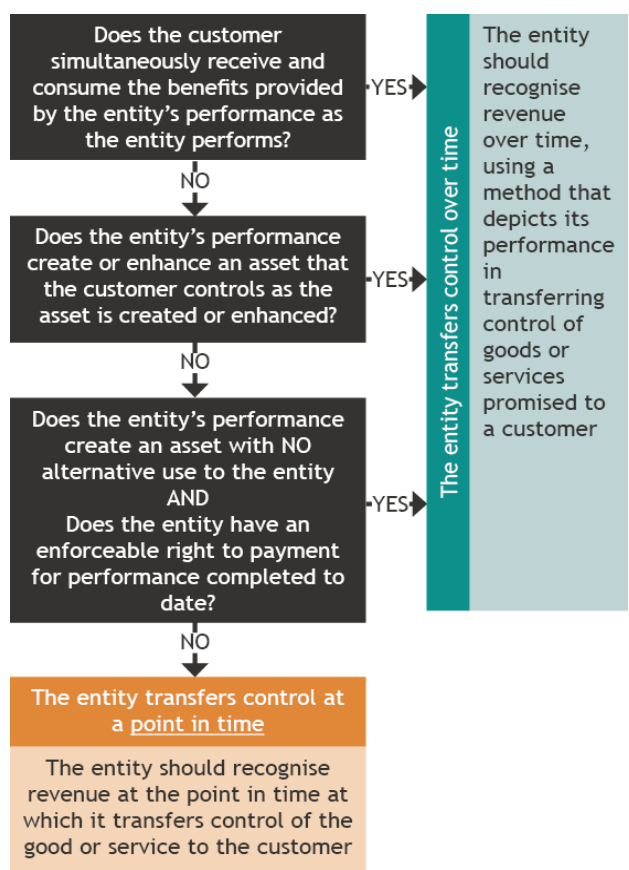
- The entity has a present right to payment for the asset
- The customer has legal title to the asset
- The entity has transferred physical possession of the asset to the customer
- The customer has the significant risks and rewards of ownership of the asset
- The customer has accepted the asset.

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The requirements for the recognition of revenue are illustrated in the decision tree below:



5. Revenue Recognition Procedure

5.1 Potential Revenue identification

Upon receipt of potential revenue information, steps will be undertaken by / with the Finance and Administration Manager to:

- Follow the 5 step Revenue recognition model as outlined by Australian Accounting standards
- Determine if revenue will be recognised, overtime or at a point in time
- Review proposed funding agreement before signatures are complete
- Determine allocation of funding under project codes and natural accounts
- Determine Reserve and cost centre allocation

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6. Invoicing Procedure

Once a complete signed funding deed is received, the manager is required forward in full to Finance and Administration Manager for approval for invoice to be raised and allocation of project number and reserve accounts. The below steps must be completed to comply with audit requirements:

- Funding Agreements are to be saved in Administration>Finance>Grants>20XX-XX under the appropriate program area
- Funding Agreements / project proposals are to be emailed to Finance for review
- Email confirmation is to be sourced from Finance in regard to invoice raising
- Invoices are to be raised in accordance with funding agreement and milestone completion
- It will be requested that all invoices be returned to info@isjo.nsw.gov.au to track all revenue and ensure Finance can perform checks on compliance
- All invoices are to be saved in Administration>Finance>Debtor Invoices>under appropriate supplier folder.

7. Illawarra District Weed Authority - Private Works

It is noted that income from Illawarra District Weed Authority Private works is exempt from clause 6.2 in this policy. This is because all private work being undertaken have been pre-determined as point in time revenue recognition. They therefore do not require re-evaluation at the issue of each invoice. Instead, all private works income will be invoiced at the completion of work as per the service agreement that is signed by the client and therefore exists as a contract between the client and the Illawarra Shoalhaven Joint Organisation.

All private work income is to be invoiced as per the account string: 400018-1001-41172.

No other income is to be received under this account for audit purposes.

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