

# Professional update

Accounting and auditing developments | April 2016

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## This edition includes:

- New Auditor-General for New South Wales
- Accounting Standards issued, but not yet effective
- Results of fraud surveys
- Electronic bank confirmations

## Hot Topics

### Hot Topic 1: New Auditor-General for New South Wales

New South Wales has a new Auditor-General, Margaret Crawford. She was formally appointed and joined the Audit Office on Monday 4 April 2016. The Premier [announced](#) her selection on 2 February 2016.

Margaret's most recent role was Deputy Secretary at the NSW Department of Family and Community Services. She previously held senior leadership roles with the Victorian Department of Human Services, the Australian Taxation Office, Brisbane City Council and the NSW Roads and Traffic Authority.

### Hot Topic 2: Accounting Standards issued, but not yet effective

Several Australian Accounting Standards have been issued, including new standards on revenue, leases, and financial instruments. These standards are not yet effective, but may significantly impact agencies' financial statements on initial application.

AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' requires agencies to assess and disclose the likely impact of these standards on the financial statements, even though they are not yet effective.

With year-end rapidly approaching, agencies should assess the impacts and prepare the required disclosures for inclusion in the 30 June 2016 financial statements.

The following websites provide guidance that may help agencies prepare the impact

assessments and disclosures. This information is regularly updated and is useful for both June and December reporting dates. Agencies should continuously monitor standards issued up to the date they issue their financial statements.

- [Mandates of Options and Major Policy Decisions under Australian Accounting Standards](#) by NSW Treasury
- [Australian Reporting Essentials](#) by Chartered Accountants Australia and New Zealand
- [What's New](#) by Deloitte Touche Tohmatsu
- [Standards on Issue](#) by KPMG
- [New Accounting Standards & Interpretations](#) by Ernst & Young
- [Financial Reporting Developments](#) by PwC.

### Hot Topic 3: Results of fraud surveys

Readers may be interested in two recent fraud surveys – a global survey conducted by PwC and a survey of the NSW public sector conducted by the Audit Office.

PwC has released its [Global Economic Crime Survey 2016](#) based on data from over 6,000 organisations that responded to the survey. The survey found that reported economic crimes affect more than one in three organisations.

While the overall trend for economic crime is down, the data shows the financial cost per incident of fraud is increasing. There are also non-monetary impacts from economic crimes, such as damage to employee morale and business reputation.

Most respondents believe local law enforcement is not adequately resourced to investigate and prosecute economic crimes. As a result, combatting economic crimes is usually handled



internally. The survey found more than one in five organisations has not carried out a fraud risk assessment in the past 24 months. This is a concerning statistic and a timely reminder if agencies have not performed an assessment recently.

Cybercrime emerged as the second most reported crime in the survey. While digital technology is transforming the world of business, it provides greater opportunities to fraudsters to perpetrate economic crimes. Over half the respondents reported:

- they had not been victims of cybercrime, but many are likely to have been compromised without knowing it as hackers can remain on organisations' systems for extended periods without being detected
- increased risks from cyber threats, but only 37 per cent had a fully operational incident response plan.

One in five survey respondents does not have a formal ethics and compliance program. As most economic crimes involve people, employees are an organisation's first line of defence. It, therefore, makes sense for organisations to implement effective ethics and compliance programs to help retain honest and ethical staff and protect employee morale, which are some of the first casualties of an economic crime.

The survey focused on global money laundering, which destroys value in the global economy and helps fund other crimes such as terrorism and drug trafficking. Anti-money laundering legislation and compliance is in force in many countries and is expected to broaden to other countries in the future. This imposes significant compliance costs on organisations. In the last few years, global financial institutions in the United States have incurred hundreds of millions of dollars in fines for money laundering and/or compliance violations.

In the NSW public sector, department heads and governing boards of statutory bodies are required to establish and maintain a risk management process. The requirements and guidance can be found in [TPP 15-03 'Internal Audit and Risk Management Policy for the NSW Public Sector'](#) and [TPP 12-03 'Risk Management Toolkit for the NSW Public Sector'](#).

In late 2015, the Audit Office launched its own fraud survey of NSW Government agencies covering the last three financial years. Agencies were asked questions about identified frauds, including which functional areas the frauds had occurred in and, if quantifiable, how much was involved.

The survey closed at the end of March 2016. Responses were received from 101 agencies – a 92 per cent response rate. Consistent with the previous survey in 2012, the largest single value fraud occurred the procurement area.

The results of the survey are scheduled for release in late June 2016.

#### Hot Topic 4: Electronic bank confirmations

The Audit Office will start confirming agencies' bank details electronically for 30 June 2016 audits. Some banks, including Westpac, will now only accept audit confirmation requests using an online third party confirmation service, [Confirmation.com](#). Financial institutions registered with Confirmation.com are detailed on the Audit Office [website](#). If a financial institution is not registered with Confirmation.com, agencies should prepare paper bank confirmation requests as has been done in the past.

Respective audit teams will inform agencies if they intend to confirm agency bank balances through Confirmation.com. In these cases, the agency should provide its bank account details (including details of authorised signatories) to the audit team for them to input to the electronic application.

The agency's authorised signatories will receive a system generated request for them to authorise the release of the agency's bank account information to the Audit Office. The request requires the authorised signatory to click on the link in the email and to sign the authorisation. Once this has occurred, the Audit Office will request the information from the agency's financial institution. Agencies can ask the audit team for copies of completed confirmations.

#### Accounting Update

##### [AASB Meeting Highlights – 20 April 2016](#)

The AASB Board made key decisions in relation to:

- Service concession arrangements: Grantor
- Reduced disclosure requirements
- Income of NFP entities
- Clarifications to IFRS 15

The Board also discussed the following topics:

- International projects
- Financial reporting framework
- Emerging issues





- Research update
- ICAS/EFRAG research paper.

[Latest news from the AASB](#) includes:

- Applications for the 2017 AASB Graduate Program – Closing date extended to Friday 6 May 2016 (24 March 2016)
- International Edition (12-16) (24 March 2016)
- Tier 1 requirements to help users evaluate changes in debt (24 March 2016)
- International Edition (13-16) (31 March 2016)
- AASB Accounting Firms Forum – Are Accounting Standards Working? (1 April 2016)
- Agenda and Board Papers for AASB meeting, 20 April 2016 (6 April 2016)
- International Edition (14-16) (7 April 2016)
- International Edition (15-16) (14 April 2016).

AASB has recently [issued](#):

- [AASB 2016-02](#) Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.

### **International Update – International Accounting Standards Board (IASB)**

[IASB Meeting Highlights – 15-16 March 2016](#)

Topics discussed included:

- Conceptual framework
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 3 Business Combinations – Definition of a business
- Goodwill and impairment
- Agenda consultation.

### **International Update – International Financial Reporting Standards (IFRS) Foundation**

[Public events of the IFRS Foundation:](#)

- ASAF meeting April 2016 (7-8 April 2016)
- IASB Meeting April 2016 (19-21 April 2016).

[IFRS Latest News](#)

- March 2016 IASB Update published (21 March 2016)
- Issue 9 of the IASB Investor Update (22 March 2016)
- Implementing IFRS 16: Leases Conference (22 March 2016)

- Guide to the IFRS for SMEs updated (23 March 2016)
- Corporate Reporting Dialogue publishes statement on materiality (30 March 2016)
- The IFRS Foundation publishes the IFRS Taxonomy 2016 (31 March 2016)
- March IFRS for SMEs Update published (1 April 2016)
- Listen to our webinars on the forthcoming insurance contracts Standard (4 April 2016)
- Capital Markets Advisory Committee February meeting summary is now available (5 April 2016)
- March 2016 IFRIC Update published (6 April 2016)
- Global Preparers Forum meeting notes posted (6 April 2016)
- Listen to our webinars on the forthcoming insurance contracts Standard (11 April 2016)
- The International Accounting Standards Board has issued amendments to the Revenue Standard (12 April 2016)
- IASB Staff Webcast: Definition of a lease (13 April 2016)
- Listen to our webinars on the forthcoming insurance Contracts Standard (15 April 2016).

### **International Update – Interpretations Committee**

[IFRIC Meeting Highlights – 22 March 2016](#)

The committee discussed the following topics:

- Items on the current agenda
  - IFRS 9 Financial Instruments and IAS 28 Investment in Associates and Joint Ventures – Measurement of long-term interests (Agenda Paper 15)
  - IAS 16 Property, Plant and Equipment – Accounting for proceeds and costs of testing of PPE (Agenda Paper 2)
  - IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – Accounting for recoverable cash payments (Agenda Page 7)
  - IFRIC 12 Service Concession Arrangements – Accounting for service concession arrangements for which the infrastructure is leased (Agenda Paper 6)
- Items recommended to the Board to address through an amendment
  - IAS 12 Income Taxes – Accounting for income tax consequences of payments on financial instruments classified as equity (Agenda Paper 5)





- Interpretations Committee's tentative agenda decisions
  - IFRS 11 Joint Arrangements and IFRS 10 Consolidated Financial Statements – Accounting for loss of control transactions (Agenda Paper 3)
- Interpretations Committee's agenda decisions
  - IFRS 9 Financial Instruments – Determining hedge effectiveness for net investment hedges
  - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Variable payments for asset purchases
  - IAS 32 Financial Instruments: Presentation – Classification of liability for a prepaid card in the issuer's financial statements
  - IAS 32 Financial Instruments: Presentation – Offsetting and cash-pooling arrangements
- Other Matters
  - Issues on the March 2016 meeting agenda postponed to a future Interpretations Committee meeting
  - Interpretations Committee work in progress update (Agenda Paper 14A)
  - Interpretations Committee review of 2015 activity (Agenda Paper 14B).

### **International Update – International Valuation Standards Council (IVSC)**

#### Latest news from IVSC:

- Invitation to comment on International Professional Standards (6 April 2016)
- International Valuation Standards: Invitation to comment (8 April 2016).

The IVSC has [released](#):

- [IVS 2017](#)
- [The International Professional Standards](#).

### **International Update – International Federation of Accountants (IFAC)**

Latest news from IFAC includes:

- Intellectual Property, Translations & Permissions eNews: March 2016 (17 March 2016)
- 2016 ICAJ-IFAC Regional SMP Forum: Audit Quality and Building a Successful Practice (6 April 2016)

- Upcoming Event: Third Regional Forum for Professional Accountancy Organisations (28 April 2016).

### **International Update – International Public Sector Accounting Standards Board (IPSASB)**

#### Latest news from IPSASB includes:

- IPSASB Publishes Improvements to IPSAS 2015 (18 April 2016).

## **Auditing Update**

### **Australian Update – Auditing and Assurance Standards Board (AUASB)**

#### AUASB Meeting Highlights – 18 April 2016

Topics discussed by the AUASB at its meeting included:

- IAASB ITC Enhancing Audit Quality – A Focus on Professional Scepticism, Quality Control and Group Audits
- Auditor Reporting – Special Purpose Reports, Single Element Reports and Summary Financial Statements.

### **International Update – International Auditing and Assurance Standards Board (IAASB)**

#### Latest news from the IAASB:

- IAASB Announces Staff Promotions and Appointments (11 March 2016)
- IAASB eNews: March 2016 (15 March 2016)
- IAASB Finalises Changes for Engagements to Report on Summary Financial Statements (24 March 2016)
- IAASB March 2016 Meeting Highlights Podcast (28 March 2016)
- Former IAASB CAG Chair to Serve on PCAOB Investor Advisory Group (31 March 2016).

## **Ethics Update**

### **International Update – International Ethics Standards Board for Accountants (IESBA)**

#### Latest news from IESBA:

- IESBA March 2016 Meeting Highlights Podcast (16 March 2016)
- Kristian Koktvedgaard Re-Appointed Chair of IESBA Consultative Advisory Group (29 March 2016)
- IESBA eNews April 2016 (15 April 2016).





### [IESBA Meeting Highlights – 14-16 March 2016](#)

- Responding to Noncompliance with Laws and Regulations (NOCLAR)
- Structure of the Code
- Long Association of Personnel with an Audit Client
- Fee-Related Matters
- Review of Safeguards in the Code
- Review of Extant Part C of the Code
- Emerging Issues and Outreach.

### **NSW Procurement Board**

#### [NSW Procurement Board has recently issued:](#)

- Extension of Contract 1011 Print management services (24 March 2016)
- Extension of Contract 1012 Print warehousing and distribution services (24 March 2016)
- Extension of Contract 801 Food services (1 April 2016)
- Award of Contract 778 Retail supply of electricity metering and metering data agency services for NSW Government (1 April 2016)
- New NSW Procurement Board Direction 2016-02 – Construction Skills Development Plan (4 April 2016)
- Extension of Contract 776 Retail supply of electricity and GreenPower to NSW Government and eligible customers (small sites) (15 April 2016).

### **Public Accounts Committee**

#### **Reports**

##### [Reports tabled](#) in NSW Parliament:

- Changes to the Routine of Business and consequential changes to the Sessional Orders (23 March 2016)
- Security classification and management of inmates sentenced to life imprisonment (4 April 2016).

### **Australian Securities and Investments Commission (ASIC)**

#### Recent [regulatory guides](#) released:

- RG 254 Offering securities under a disclosure document (17 March 2016).

#### Recent [information sheets](#) released:

- INFO-213 Marketplace lending (peer-to-peer lending) products
- INFO-214 Mining and resources – Forward-looking statements.

#### Recent [speeches](#) released:

- Challenge and change – an update for the accounting profession (17 March 2016)
- Culture shock (17 March 2016)
- Regulating for the future: Innovation, disruption and cyber resilience (6 April 2016)
- Why are we talking about culture? (5 April 2016)
- The challenge of driving global economic growth (15 April 2016).

#### Recent [reports](#) released:

- REP 473 Response to submissions on CP 239 Disclosure documents: Update to ASIC instruments and guidance
- REP 474 Culture, conduct and conflicts of interest in vertically integrated businesses in the funds-management industry
- REP 475 Market integrity report: July to December 2015
- REP 476 ASIC enforcement outcomes: July to December 2015.
- Recent [consultations papers](#) released:
- CP 254 Regulating digital financial product advice (21 March 2016)
- CP 255 Remaking ASIC class orders on financial services disclosure requirements (23 March 2016)
- CP 256 Remaking and repealing ASIC class orders on trustee company common funds (24 March 2016).

### **Australian Prudential Regulation Authority (APRA)**

#### [Recent APRA releases:](#)

- APRA releases non-capital components of the supervision of conglomerate groups (16.11) (29 March 2016)
- APRA releases consultation package on Net Stable Funding Ratio (16.12) (31 March 2016)
- APRA releases Trio investigation report (16.13) (8 April 2016).





## Australian Charities and Not-for-profits Commission ([ACNC](#))

### [Recent ACNC releases:](#)

- More than 1000 charities saved (29 March 2016)
- Media release: New ACNC Guide – Charities, elections and advocacy (14 April 2016).

## New Publications by Other Audit Offices

### Australian National Audit Office ([ANAO](#))

#### [Recent publications released:](#)

- A reflection of how far performance auditing has come from its roots in the 1970s to where we are today and where we are heading (15 March 2016)
- Opinions Autumn 2016 (18 April 2016)
- Strategies and Activities to Address the Cash and Hidden Economy (26 April 2016).

### New Zealand Office of the Auditor-General ([NZ OAG](#))

- Local government: Results of the 2014/15 audits (April 2016)
- Draft annual plan 2016/17(April 2016)
- Reflections from our audits: Governance and accountability (April 2016).

### Australian Capital Territory Auditor-General's Office ([ACT AGO](#))

- Calvary Public Hospital Financial and Performance Reporting and Management (8 April 2016)
- Maintenance of Public Housing (14 April 2016).

### Queensland Audit Office ([QLD AO](#))

- Report 14: Financial risk management practices at Energex
- Report 15: Queensland public hospital operating theatre efficiency
- Report 16: Flood resilience of river catchments.

### Tasmanian Audit Office ([TAS AO](#))

- Accounting & Auditing Developments newsletter – March 2016 (5 April 2016).

### Victorian Auditor-General's Office ([VAGO](#))

- Patient Safety in Victorian Public Hospitals (23 March 2016)
- Bullying and Harassment in the Health Sector (23 March 2016)

- Local Government Service Delivery: Recreational Facilities (23 March 2016).

### Western Australia Office of the Auditor-General ([WA OAG](#))

- Land Asset Sales Program (6 April 2016).

## Useful Resources

### Commonwealth Government Treasury

#### [Recent news from Commonwealth Government Treasury:](#)

- Remarks at the Australia, Japan and International Economic Outlook Seminar (21 March 2016)
- The importance of culture (22 March 2016).

### Commonwealth Government Department of the Environment

#### The Department of the Environment's [recent releases:](#)

- Quarterly Update of Australia's National Greenhouse Gas Inventory: September 2015 (18 March 2016)
- Clean Energy Innovation Fund (23 March 2016)
- Emissions Reduction Fund Video: opportunities to participate (5 April 2016)
- Safeguard Mechanism Draft Emissions Intensity Benchmark Guidelines (6 April 2016).

### Department of Justice NSW

#### Department of Justice NSW [recent releases:](#)

- NSW Law Reform Commission to review insurance law (18 March 2016)
- Prison reform to improve community safety (20 March 2016)
- New judges to ease pressure on District Court (21 March 2016)
- New laws to hit crime gangs where it hurts (22 March 2016)
- Strong industry interest in prison reform (31 March 2016)
- Greyhound Special Commission of Inquiry extended (31 March 2016)
- Children's Champions give victims stronger voice (31 March 2016)
- New District Court appointments (1 April 2016)
- NSW online court registry now a one stop shop (11 April 2016).





## Useful Resources

### Independent Commission Against Corruption (ICAC)

- ICAC finds former Mine Subsistence manager corrupt (23 March 2016).

### Productivity Commission

The Productivity Commission's [recent releases](#):

- Access to public and private sector big data (18 April 2016).

### Independent Pricing & Regulatory Tribunal (IPART)

IPART has released the following [information/fact sheets](#):

- Fact Sheet – WaterNSW – Greater Sydney price review (22 March 2016)
- Fact Sheet – Review of dishonoured or declined payment and late payment fees (22 March 2016)
- Fact Sheet – Unregulated pricing agreements – Sydney Water and Hunter Water price reviews (22 March 2016)
- Fact Sheet – Hunter Water price review – Draft Report and prices – non-residential customers (22 March 2016)
- Fact Sheet – Hunter Water price review – Draft Report and prices – residential customers (22 March 2016)
- Fact Sheet – Unregulated pricing agreements – Sydney Water and Hunter Water price reviews (22 March 2016)
- Fact Sheet – Sydney Water price review – residential customers (22 March 2016)
- Fact Sheet – Sydney Water price review – non-residential customers (22 March 2016)
- Fact Sheet – MDBA costs included in draft prices for DPI Water (24 March 2016)
- Fact Sheet – Proposed revisions to WIC Act reporting manuals (30 March 2016)
- Fact Sheet – Contributions Plan 15 – Box Hill Precincts (4 April 2016)
- Fact Sheet – Public Water Utilities regulated by IPART – 2014-15 Performance Data (7 April 2016)
- Information Paper – Multi-peril crop insurance incentive measures (11 April 2016)
- Fact Sheet – Review of gas prices from 1 July 2016 (12 April 2016)
- Fact Sheet – Review of Local Government Rating System (13 April 2016).

### Latest news from IPART:

- Review commences into Sydney Harbour cruise ship fees (21 March 2016)
- Hunter Water draft prices from 1 July 2016 (22 March 2016)
- Assessment of Contributions Plan 15 for Box Hill Precincts (4 April 2016)
- Gosford City Council and Wyong Shire Council water and sewerage price reviews deferred (11 April 2016)
- Review of gas prices from 1 July 2016 (12 April 2016)
- Feedback sought on Local Government Rating System (13 April 2016).

### Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#):

- ACCC appeal upheld in air cargo case (21 March 2016)
- ACCC grants conditional authorisation to ihail taxi booking app (22 March 2016)
- Lack of competitive pressure facilitates high profit margins at airports (23 March 2016)
- ACCC releases poisons report (24 March 2016)
- Federal Court finds Valve made misleading representations about consumer guarantees (29 March 2016)
- Iron Mountain agrees to sell most of its Australian business to resolve ACCC concerns (31 March 2016)
- ACCC takes action against AIPE following a joint investigation with NSW Fair Trading (31 March 2016)
- ACCC grants an exemption to Patrick bulk wheat facility at Port Adelaide (1 April 2016)
- ACCC exempts bulk wheat terminals of Graincorp and Quattro at Port Kembla (1 April 2016)
- ACCC launches market study into cattle and beef industry (5 April 2016)
- ACCC releases issues paper for cattle and beef market study (7 April 2016)
- ACCC issues draft decision on WaterNSW's 2016-17 charges in the Murray-Darling Basin (13 April 2016)
- ACCC authorises Queensland LNG producers to coordinate their maintenance schedules (14 April 2016).





### **Australian Institute of Company Directors (AICD)**

AICD media releases:

- Policies for the long term to get Australia on track (23 March 2016)
- AICD to call high level meeting with regulators and senior directors (7 April 2016)
- Prominent WA businessman appointed Deputy Chairman of AICD (8 April 2016)
- Stephen Walters appointed Chief Economist at AICD (19 April 2016).

### **Association of Superannuation Funds of Australia (ASFA)**

- Adequacy is key for the superannuation system (13 April 2016).

### **Water Accounting Standards Board (WASB)**

[Latest news from WASB:](#)

- Reflecting on 2015 (April 2016)
- Reporting on urban water utilities' performance (April 2016)
- Vital data supports water management (April 2016).

[WASB has recently released:](#)

- enGauge Newsletter (April 2016).

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