

Professional update

Accounting and auditing developments | April 2017

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This edition includes:

- NSW Treasury releases Guidance for AASB 16 Leases
- Big data privacy in Australia - steps to compliance
- Strategies to mitigate cyber security

Hot Topics

NSW Treasury releases Guidance for AASB 16 Leases

NSW Treasury has released '[Guidance for AASB 16 Leases](#)' (the Guidance). The Guidance provides a high-level summary of the new standard, potential impacts and practical simplifications to ease transition. AASB 16 *Leases*, effective 1 July 2019, replaces the current standard AASB 117 *Leases*. The new standard requires recognition of all leases on the balance sheet, with some exceptions. This will be a significant change for agencies with operating leases. Lessees will recognise a right-of-use asset as well as a lease liability. Measurement of the lease liability under AASB 16 largely corresponds to the measurement of a finance lease liability under AASB 117.

Accounting by lessors under AASB 16 is substantially unchanged. Lessors will continue to classify all leases using existing principles to distinguish between operating and finance leases.

AASB 16 provides optional relief for leases of:

- 12 months or less
- low-value assets (such as personal computers, telephones, office furniture, etc.).

On transition, lessees can:

- apply the new definition of a lease to all contracts in existence at the transition date. This will provide a more accurate reflection of the lease portfolio and may result in some contracts no longer meeting the definition of a lease; or
- using the practical expedient choose not to re-assess leases and instead treat contracts containing a lease under AASB 117 or Interpretation 4 at transition as leases under AASB 16. The accounting treatment of contracts that did not contain a lease under AASB 117 or Interpretation 4 remains unchanged.

Where lessees apply the practical expedient, they must assess all new contracts entered into after transition to determine whether they contain a lease, as defined in AASB 16.

On transition, lessees have the option to adopt the "full retrospective" or apply the "partial retrospective" approach:

1. adopt "full retrospective":

- retrospectively adjust the current year and prior year comparatives as though AASB 16 had always applied, consistent with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (para 22); and
- restate opening retained earnings at the start of the comparative financial year, ie. 1 July 2018 for 30 June year ends.

2. apply "partial retrospective" at the implementation date:

- adjust only the current year as though AASB 16 had always applied



- do not restate comparative financial information
- restate opening retained earnings at the implementation date for the cumulative effect of applying AASB 16 up to that date, ie. 1 July 2019 for 30 June year ends
- more disclosures required under this option to explain the transition to AASB 16.

For lessors, they are not required to make any adjustments to leases on transition, except for sub-leases and sale-and-leaseback.

NSW Treasury is continuing to analyse the impact of AASB 16, and more detailed guidance will be provided in due course. This will include determining the appropriate options for the NSW public sector under the transitional provisions available.

Big data privacy in Australia - steps to compliance

The Oxford dictionary defines big data as “extremely large data sets that may be analysed computationally to reveal patterns, trends, and associations, especially relating to human behaviour and interactions.” Data sets can be sourced both from within the organisation and externally, and may include sensitive personal information about an identified individual or a reasonably identifiable individual. Big data presents challenges for many organisations to ensure personal information is protected when gathered, stored, used, altered and managed. Organisations must understand their obligations and ensure their biggest asset does not turn into their greatest liability. Ernst & Young’s [five-article series](#) provides a whole-of-business view to handling these challenges. [“Big data privacy in Australia – Three actions you can take towards compliance”](#) identifies three key steps for organisations:

1. big data privacy impact assessment – to help organisations identify privacy related considerations for the proposed use of big data and what is required to mitigate any risks
2. big data privacy management framework – to help organisations develop a good privacy governance framework
3. information security risk assessment – to help organisations identify and evaluate risks, threats and problem areas relating to information.

Strategies to mitigate cyber security

The Australian Signals Directorate (ASD), an intelligence organisation within Australia’s Department of Defence, has updated its cyber security guidance by releasing [“Strategies](#)

[to Mitigate Cyber Security Incidents – A New Cyber Security Baseline”](#). This update includes [eight essentials](#) to protect organisations against cybercrime, such as:

- whitelisting selected software applications
- applying patch fixes to software applications
- disabling untrusted Microsoft Office macros
- blocking web browser access to Adobe Flash Player, web ads and untrusted Java code
- restricting administrative privileges
- applying patch fixes to operating systems
- using multi-factor authentication before access is granted
- performing daily backup of important data.

For more information, see ASD’s comprehensive guide [Strategies to Mitigate Cyber Security Incidents](#).

Audit Office of New South Wales

Margaret Crawford, NSW Auditor-General:

- 22 March - IPAA Forum, ‘Stewards on the Couch’ – Attendance
- 28 March - Nous Sydney Regulation Hub, Topic: Modern effective regulators – meeting the needs of the government and the community in a changing world – Attendance
- 20/21 April - Australasian Council of Public Accounts Committees 2017 conference – theme: Contemporary Challenges for Parliamentary Oversight of Public Accounts – Attendance and Panellist.

Auditor-General's Performance Audit Reports to Parliament

[Passenger rail punctuality \(11 April 2017\)](#)

Auditor-General's Special Audit Reports to Parliament

[2016 - An Overview \(30 March 2017\)](#)

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

[AASB Meeting Highlights 27 March 2017](#)

The AASB Board made key decisions on:

- Related Party Disclosures





• Service Concession Arrangements: Grantors.

The Board also discussed the following:

- ED 276 Annual Improvements to Australian Accounting Standards 2015-2017 Cycle.

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

- Australia's accounting standards - more modifications and guidance needed for the not-for-profit sector (28 March 2017)
- Research Report: Review of Adoption of International Financial Reporting Standards in Australia (March 2017)
- Getting to know AASB 1058 (30 March 2017)
- Proposals to define and restrict use of unusual and infrequent items will significantly improve financial statements (5 April 2017)
- IASB Vice-Chair Sue Lloyd on IFRS 17 Insurance Contracts (13 April 2017).
- Materiality of Key Management Personnel Related Party Transactions of Not-for-Profit Public Sector Entities (20 April 2017).

AASB has recently [issued](#):

- Exposure Draft – ED 278 Improvements to AASB 8 Operating Segments – April 2017 – Open for comment until 23 June 2017
- Invitation to comment – ITC 35 Disclosure Initiative – Principles of Disclosure – April 2017 – Open for comment until 4 September 2017.
- Invitation to Comment – IPSASB Consultation Paper Reporting for Heritage in the Public Sector - April 2017 - Open for comment until 30 September 2017.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 21-22 March 2017](#)

Topics discussed:

- Wider Corporate Reporting
- Goodwill and Impairment
- Discount rates – present value measurements
- Insurance contracts (oral update)
- Primary Financial Statements
- The Conceptual Framework for Financial Reporting
- Dynamic Risk Management (education session)
- Financial Instruments with Characteristics of Equity.



[IASB Podcasts](#)

Recent podcasts released by IASB include:

- March 2017.

Latest [news](#) from the IASB included:

- March 2017 IASB Update published and the Work Plan updated (23 March 2017)
- IASB Staff Webcast: IFRS 16 – Lease Modifications Lessee (27 March 2017)
- Issue 12 of the IASB Investor Update published (29 March 2017)
- IASB consults on proposed improvements to IFRS 8 Operating Segments (29 March 2017)
- IASB outlines steps to improve disclosures in financial statements (30 March 2017)
- Global Preparers Forum meeting notes posted (7 April 2017)
- IASB proposes minor amendments to IFRS 9 to aid implementation (21 April 2017).

International Update – International Financial Reporting Standards (IFRS) Foundation

Latest [news](#) from the IFRS Foundation included:

- March 2017 IFRS for SMEs Update published (30 March 2017)
- Webinar held for the IFRS Taxonomy 2017 (4 April 2017).

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

Recent [news](#) by IPSASB included:

- IPSASB Launches Consultation on Heritage Reporting (11 April 2017).

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB Teleconference Highlights – 7 March 2017](#)

Topics discussed:

- ISA 540 Auditing Estimates, Including Fair Value Accounting Estimates and Related Disclosure
- ISA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding One Entity and its Environment



- Professional Scepticism
- Quality Control – EQCR
- SMP / SME Audits
- IESBA Co-ordinator.

[AUASB Teleconference Highlights – 27 March 2017](#)

Topics discussed:

- Auditor Reporting – Communicating KAMs
- International Update – ISA 540
- Other Business.

Latest [news](#) from the AUASB included:

- Panel Discussions – The New Enhanced Auditor’s Report (4 April 2017)
- ASAE 3100 – Compliance engagement requirements set to be clearer (10 April 2017)
- AUASB Chair Roger Simnett talks Key Audit Matters with AICD Senior Policy Adviser Kerry Hicks (21 April 2017).

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

Latest [news](#) from the IAASB included:

- IAASB Proposes Modernization of Financial Estimate Audits in Support of Audit Quality (Quality (20 April 2017).

IAASB has recently issued:

- Exposure Draft – Proposed International Standard on Auditing 540 (Revised), Auditing Accounting Estimates and Related Disclosures (20 April 2017).

Ethics Update

Australian Update – Accounting Professional and Ethical Standards Board (APESB)

Latest [news](#) from the APESB:

- Review of Financial Planning Standard (5 April 2017).

The Treasury – NSW Government

Treasury has recently issued the following policy paper:

- [TPP 17-05](#) Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities (30 March 2017).

Treasury has recently issued the following circular:

- [NSWTC 17-04](#) Mandates of options and major policy

decisions under Australian Accounting Standards (30 March 2017).

Department of Premier and Cabinet (DPC)

DPC released the following memoranda:

- [M2017-01](#) Guidelines for Government Sector Employees dealing with Legislative Council’s Portfolio Committees (3 April 2017)
- [M2017-02](#) Guidelines for Ministers dealing with the Legislative Council’s Portfolio Committees (3 April 2017)
- [M2017-03](#) State Submissions into Inquiries (3 April 2017).

Public Service Commission

The PSC has released the following [circular](#):

- 2017 Premier’s Awards for Public Service (27 March 2017).

NSW Procurement Board

NSW Procurement Board’s recent Procurement [alerts](#):

- Extension of Contract 6036 Salary packing services (31 March 2017)
- SCM1461 Scheme Rollover to 30 June 2019 (18 April 2017).

Public Accounts Committee (PAC)

Recent [PAC inquiry](#)

- Examination of the Auditor-General’s Performance Audit Reports July 2015 – January 2016 (30 March 2017).

Office of Local Government (OLG)

Recent [publications](#) released:

- 17-04 Topics for local government performance by Auditor-General of NSW (24 March 2017)
- 17-05 Innovation Fund – Round Two – Open for Applications (5 April 2017).

Australian Securities and Investments Commission (ASIC)

Recent [speeches](#) released:

- How having a good corporate culture can mitigate against





corruption (31 March 2017)

- Insights from the 2017 World Economic Forum Annual Meeting, Davos (4 April 2017)
- The importance of corporate culture (5 April 2017)
- What good looks like (6 April 2017)
- ASIC's regulatory sandbox (19 April 2017)
- ASIC's regulatory approach to high-frequency trading and dark pools' (20 April 2017).

Australian Charities and Not-for-profits Commission (ACNC)

Recent ACNC [releases](#):

- Hundreds of charities revoked by national regulator (6 April 2017).

New Publications by other Audit Offices

Australian National Audit Office (ANAO)

- Auditor-General's expenses (27 March 2017)
- Army's Workforce Management (27 March 2017)
- Replacement Antarctic Vessel (30 March 2017))
- Environmental Audit: a Commonwealth Perspective (31 March 2017)
- A guide to conducting performance audits (31 March 2017)
- Conduct of the OneSKY Tender (10 April 2017).

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

- Insights and challenges: The Auditor-General's vision for the public sector (31 March 2017)
- Local government: Results of the 2015/16 audits (4 April 2017)
- The Auditor-General's Auditing Standards (5 April 2017)
- Draft annual plan 2017/18 (April 2017)
- Immigration New Zealand: Delivering transformational change (6 April 2017).

Queensland Audit Office (QAO)

- Biosecurity Queensland's management of agricultural pests and diseases (Report 12: 2016-17) (30 March 2017)
- Local government entities: 2015-16 results of financial audits (Report 13: 2016-17) (4 April 2017).

South Australian Auditor-General's Department (SA AGD)

- Supplementary Report for the year ended 30 June 2016: Consolidated Financial Report review: March 2017 (11 April 2017).

Tasmanian Audit Office (TAS AO)

- Report of the Auditor-General No. 10 of 2016-17 Follow up of selected Auditor-General reports: September 2011 to June 2014 (4 April 2017)
- Report of the Auditor-General No. 11 of 2016-17 Use of fuel cards (11 April 2017).

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

- Opinion on Ministerial Notification (30 March 2017)
- Opinion on Ministerial Notification (6 April 2017)
- Tender Processes and Contract Extensions (11 April 2017)
- Controls Over Purchasing Cards (11 April 2017)
- Accuracy of WA Health's Activity Based Funding Data (11 April 2017)
- Opinions on Ministerial Notifications (13 April 2017).

Useful Resources

Commonwealth Government Treasury

Recent [publications](#) included:

- Tax Expenditure Analysis – Origins, Debates and Future Prospects (24 March 2017)
- Government response to the House of Representatives Standing Committee on Tax and Revenue report: External scrutiny of the Australian Taxation Office (27 March 2017)
- Australian Government pay on-time survey performance (3 April 2017)
- Gender Equality Action Plan (5 April 2017)
- Australian Government response to the Senate Economics References Committee report: Foreign Investment Review Framework (11 April 2017)
- Guidelines for the exercise of powers delegated to ASIC under Chapter 7 of the Corporations Act 2001 (12 April 2017).

Commonwealth Government Department of the Environment and Energy

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





- Review of Australia's climate change policies (24 March 2017)
- Intergovernmental Panel on Climate Change call for nominations (7 April 2017)
- Green Cities Conference (12 April 2017)
- National Sustainability in Business Conference (12 April 2017)
- Carbon Neutral Program will be featured at the 4th Australasian Emissions Reductions Summit 2-3 May 2017 (12 April 2017)
- Meet the latest organisations to join the Carbon Neutral Program (12 April 2017).

Department of Justice NSW

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

- NSW Government Rescues Free Legal Service (5 April 2017).

Productivity Commission

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

- Modern options for better default super (29 March 2017)
- Transitioning regional economies (21 April 2017).

Independent Pricing & Regulatory Tribunal (IPART)

IPART's [information/fact sheets](#) included:

- Supplementary Draft Determination - Hunter Water Corporation - March 2017 (27 March 2017)
- Supplementary Draft Determination - Sydney Water Corporation - March 2017 (27 March 2017)
- Fact Sheet - Wholesale price for Sydney Water and Hunter Water - 27 March 2017 (27 March 2017)
- Supplementary Draft Report - Prices for wholesale water and sewerage services - March 2017 (27 March 2017)
- IPART Submission to the draft Environmental Planning and Assessment Amendment Bill 2017 - 28 March 2017 (28 March 2017)
- Electricity Network Audit Guideline - draft updates for consultation - April 2017 (5 April 2017).

Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#) included:

- ACCC awarded international prize for competition advocacy (23 March 2017)
- ACCC given powers to investigate and report on retail electricity prices (27 March 2017)

- ACCC issues draft decision on Hunter Valley rail network access undertaking (20 April 2017).

Association of Superannuation Funds of Australia (ASFA)

- Joint Media Release: Call for submissions on second Insurance in Superannuation Working Group (ISWG) discussion paper (7 April 2017).

Water Accounting Standards Board (WASB)

The WASB [published](#):

- Benchmarking urban water utilities (22 March 2017)
- enGuage Newsletter (March 2017).

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