

Professional update

Accounting and auditing developments | August | 2017

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This edition includes:

- AASB 1059 Service Concession Arrangements: Grantors
- Responding to non-compliance with laws and regulations (NOCLAR)

Hot Topics

AASB 1059 Service Concession Arrangements: Grantors

In July 2017, the Australian Accounting Standards Board issued a new standard, [AASB 1059 'Service Concession Arrangements: Grantors'](#), to address the gap in accounting for service concession arrangements (SCAs) from the grantor's perspective.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public-sector grantor for a specified period of time and managing at least some of those services. An arrangement within the scope of AASB 1059 typically involves an operator constructing or upgrading the service capacity of assets that are used to provide public services, where the grantee operates and maintains the assets for a specified period and the grantor controls key elements of the services provided.

These arrangements are often described as build-operate-transfer, rehabilitate-operate-transfer service concession arrangements, or public-private partnerships (PPPs). Common examples include roads, prisons, hospitals, water distribution facilities and energy suppliers etc.

AASB 1059 will affect for-profit and not-for-profit public-sector entity grantors involved in SCAs (including grantors of existing, but previously unrecognised SCAs). Grantors will recognise assets and liabilities of SCAs where they control the service potential of the underlying asset. A grantor controls the asset if they:

- control or regulate the services the operator must provide with the asset, to whom it must provide them and at what price; and
- control a significant residual interest in the asset at the end of the term of the arrangement.

AASB 1059 may result in:

- recognition of more government assets and liabilities in the statement of financial position
- earlier recognition of assets and liabilities (when construction commences, rather than on completion) where the recognition criteria is met.

AASB 1059 is effective for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted. Retrospective application is required on initial adoption.

Responding to non-compliance with laws and regulations (NOCLAR)

The Australian Professional & Ethical Standards Board (APESB) has issued [Amendments to APES 110 Code of Ethics for Professional Accountants](#) arising from revisions to International Ethics Standards Board for Accountants' (IESBA) *Code of Ethics for Professional Accountants*.

The amendments for 'Responding to Non-Compliance with Laws and Regulations' (NOCLAR), provides a framework for all members on how best to act in the public interest when they become aware of non-compliance or suspected non-compliance with laws and regulations.

NOCLAR is defined as an act of omission or commission, intentional or unintentional, committed by a client or employer, those charged with governance, management, others working for or under the



direction of a client, or the employing organisation that are contrary to the prevailing laws or regulations.

Laws and regulations are those that:

- have a direct effect on the determination of material amounts and disclosures in the financial statements
- may not have a direct effect on the financial statements but are fundamental to an entity's operations, or where non-compliance may lead to material penalties.

NOCLAR covers:

- fraud, corruption and bribery
- money laundering, terrorist financing and proceeds of crime
- securities markets and trading
- banking and other financial products and services
- data protection
- tax and pension liabilities and payments
- environmental protection
- public health and safety.

The responsibilities to respond to NOCLAR differ depending on whether an accountant is:

- an employee of an entity
- a senior member in business such as a director, officer or senior employee
- an auditor of an entity
- a member in public practice interacting with his or her client in a professional capacity.

The NOCLAR rules have been included in:

- a new section 225 for members in public practice
- a new section 360 for members in business
- consequential amendments to other sections.

The amendments are effective from 1 January 2018 with early adoption permitted and applies to all members of CA ANZ, CPA Australia and IPA. For more information, refer to the [presentation](#) by APESB.

Audit Office of New South Wales

Margaret Crawford, NSW Auditor-General attended the following events:

- 20 July – Minter Ellison event – Women in Government Dinner with Sarah Cruickshank, Chief of Staff



- 7 to 11 August – Pacific Association of Supreme Audit Institutions Congress in Tuvalu.

Auditor-General's Performance Audit Reports to Parliament

- [Office of Strategic Lands](#) (10 August 2017)
- [Planning and evaluating palliative care services in NSW](#) (17 August 2017).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

[AASB Meeting Highlights](#) – 15 August 2017

The AASB made key decisions in relation to:

- Licences
- Australian Financial Reporting Framework – Draft Research Report on Charities
- Australian Financial Reporting Framework – Draft Consultation Paper on Charities
- Reduced Disclosure Requirements
- For-Profit and Not-for-Profit Standard-Setting Frameworks.

The Board also discussed the following topics:

- Presentation – Update on ACNC Activities
- Presentation – Update on EFRAG Activities.

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

- AASB 1056 Superannuation Entities – resources available (18 July 2017)
- Issued: AASB Interpretation 23 Uncertainty over Income Tax Treatments (3 August 2017).

The AASB has recently [issued](#):

- AASB 17 Insurance Contracts
- AASB 1059 Service Concession Arrangements: Grantors
- Amendments to Australian Accounting Standards – Clarifications to AASB 4
- Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.



International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights](#) – 18-19 July 2017

Topics discussed included:

- Insurance Contracts
- Implementation and maintenance of IFRS Standards
- Materiality Practice Statement
- Prepayment Features with Negative Compensation and Modifications of Financial Liabilities
- Rate-regulated Activities
- Goodwill and impairment.

[IASB Podcasts](#)

Recent podcasts released by IASB include:

- July podcast on the International Accounting Standards Board's latest meeting available (24 July 2017).

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

- Summary report of the joint investor outreach event on the Discussion Paper: Disclosure Initiative – Principles of Disclosure (19 July 2017)
- New webinar: How does IFRS 17 work and what does it mean for investors? (20 July 2017)
- July 2017 IASB Update published and work plan updated (21 July 2017)
- IASB staff webcast: IFRS 16 Lessee Disclosure – discussion with Board member Stephen Cooper (24 July 2017)
- Deferred implementation date of Ind AS accounting model for insurance companies (27 July 2017)
- New webinar: What are the measurement essentials for insurance contracts? (27 July 2017)
- Summary of the ITCG June discussions now available (1 August 2017)
- New webinar: How does IFRS 17 measure insurance contracts with short coverage periods? (3 August 2017).

International Update – International Financial Reporting Standards (IFRS) Foundation

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

- IFRS Foundation publishes illustrative tagging for IFRS 17 Insurance Contracts (19 July 2017)
- IFRS Foundation Trustees publish findings on independent perception research (31 July 2017).



International Update – International Federation of Accountants (IFAC)

Recent [news](#) from IFAC included:

- Integrated Thinking & Reporting Helps Small & Medium Entities Drive Value (3 August 2017)
- New IFAC Guidance Helps Organizations Navigate the Complicated Terrain of Accountancy Regulation (7 August 2017).

International Update – International Accounting Education Standards Board (IAESB)

Recent [news](#) from the IAESB included:

- New Series: IAESB Personal Perspectives (17 July 2017)
- IAESB eNews, July 2017 (18 July 2017)
- Global Audit, Ethics and Education Standards Boards Outline Need, Way Forward for Professional Scepticism (11 August 2017).

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB Meeting Highlights](#) – 13 June 2017

Topics discussed by the AUASB at its meeting included:

- Auditor Reporting
- Quality Control – ISQC 1
- Quality Control – ISA 200
- Group Audits
- Networks
- Professional Scepticism
- Emerging External Reporting (EER) & Data Analytics.

[AUASB Meeting Highlights](#) – 18 July 2017

Topics discussed by the AUASB at its meeting included:

- ISA 540 Auditing Accounting Estimates and Related Disclosures
- ASIC presentation – Audit inspection program report for 2015-16
- AUASB Technical Group update – Auditor Reporting Requirements.

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

- AUASB Bulletin: Auditor review reports – the impact of the



new auditor reporting requirements (27 July 2017)

- AUASB submits feedback on ED ISA 540 (1 August 2017)
- Way forward for professional scepticism (15 August 2017).

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

[IAASB Conference Call Highlights](#) – 1 August 2017

- Quality Management.

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

- IAASB Welcomes PCAOB's New Enhanced Auditor Reporting Standards (1 August 2017)
- The New Auditor's Report: A Comparison between IAASB and US PCAOB Standards (1 August 2017)
- Toward Enhanced Professional Scepticism (14 August 2017).

Ethics Update

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

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

- IESBA Strategy and Work Plan 2019-2023 Survey (20 July 2017)
- IESBA's ED on Professional Scepticism and Professional Judgement (27 July 2017)
- CA ANZ NOCLAR Sharing Knowledge session (4 August 2017).

The Treasury – NSW Government

New Treasury Policy Papers, Circulars and Research Papers

Treasury has recently [published](#):

- Presentation – Launch of the NSW PPP Guidelines – 24 July 2017 (28 July 2017)
- NSW Public Private Partnerships (PPP) fact sheet (28 July 2017)
- Archived, withdrawn or superseded NSW Treasury Circulars (10 August 2017).

Department of Premier and Cabinet

New Ministerial Memoranda and Department Circulars

DPC released the following circulars:



- [C2017-03](#) – Improving NSW Government Branding (7 August 2017).

NSW Procurement Board

Frameworks and Directions

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

- Contract 607 ICT software agreement for Oracle update (27 July 2017)
- Register for GovDC Marketplace – where buyers and suppliers meet! (1 August 2017)
- Contract 999 to supersede contract 888 ICT hardware (update) (9 August 2017).

Public Accounts Committee

Reports and Inquiries

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

- Inquiry into Violence Against Emergency Services Personnel (8 August 2017).

Office of Local Government

Recent [publications](#) released:

- 17-21 Reporting of Rates Permissible Income for 2017–18 (24 July 2017)
- 17-23 Preparing for implementation of the Biodiversity Conservation Act 2016 (26 July 2017).

Australian Securities and Investments Commission (ASIC)

Recent [speeches](#) released:

- Outline of ASIC's approach to corporate culture (19 July 2017)
- Update on ASIC's priorities (20 July 2017)
- The human factor: Is conduct risk on your radar? (25 July 2017)
- ASIC and Australia's ageing population (25 July 2017).

ASIC [media releases](#):

- 17-239MR ASIC checks on limited AFS licence experience (18 July 2017).



Australian Prudential Regulation Authority (APRA)

Recent [media releases](#) included:

- APRA consults on superannuation operational governance proposals (11 August 2017).

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

Recent [ACNC releases](#) included:

- Earlier, easier and with more support: The ACNC launches the 2017 Annual Information Statement (24 July 2017).

New Publications by Other Audit Offices

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

- ANAO 2017-18 Corporate Plan (19 July 2017)
- Protecting Australia's Missions and Staff Overseas: Follow-on (8 August 2017)
- The Management of Risk by Public Sector Entities (15 August 2017).

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

- Commentary on He Tirohanga Mokopuna: 2016 Statement on the Long-Term Fiscal Position (July 2017)
- Managing the school property portfolio (21 July 2017)
- Reflections from our audits: Investment and asset management (21 July 2017)
- Ministry of Social Development: Using a case management approach to service delivery (August 2017).

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

- V/Line Passenger Services (9 August 2017)
- Internal Audit Performance (9 August 2017).

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

- Audit of Journal Entries and Property, Plant and Equipment Using Data Analytic Procedures (19 July 2017)
- Annual Report 2016-17 (8 August 2017)
- Non-Clinical Services at Fiona Stanley Hospital (16 August 2017).

Useful Resources

Department of Justice NSW

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

- Funding boost for councils to understand and manage their flood risk (9 August 2017).

Independent Commission Against Corruption (ICAC)

Recent [media releases](#) included:

- ICAC finds former City of Botany Bay Council CFO corrupt over \$5.6 million in false invoices and credit card misuse (26 July 2017)
- ICAC finds former NSW Government minister and MPs corrupt (2 August 2017)
- ICAC finds former Department of Justice officer corrupt (3 August 2017).

Independent Pricing & Regulatory Tribunal (IPART)

Recent IPART [papers and reports](#) include:

- Media Release – Mid-Coast Council special variation approved (21 July 2017)
- Fact Sheet – Compliance with legislated employment guarantees – updated 11 August 2017 (11 August 2017)
- Transcript – Review of the IPART WACC method – Public Hearing Sydney – 15 August 2017 (18 August 2017).

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