

Professional update

Accounting and auditing developments |



February 2013

Hot Topics

Get Ready – 2013 Early Close Procedures

NSW Treasury has released Treasury Circular [NSW TC 13/01 Mandatory early close procedures for 2013](#). The circular sets out Treasury's 2013 agency reporting timetable and requires agencies complete early close procedures. The circular applies to agencies listed in Appendix D to the circular, including statutory State owned corporations.

Reporting and audit deadlines:

Agencies	Financial statements and working papers due:	Independent Audit Report due:
Group 1	Thursday 25 July	Thursday 19 September
Group 2	Friday 26 July	Friday 20 September
Group 3	Monday 29 July	Monday 23 September

Failure by Groups 1, 2 and 3 to have their financial statements and supporting work papers prepared and submitted by these dates will amount to non-compliance with the *Public Finance and Audit Act 1983*.

The Institute of Chartered Accountants in Australia and NSW Treasury will be hosting a discussion of early close procedures for 2013 on Friday 8 March 2013. [Register](#) early for this complimentary event as places are filling fast.

Treasury's early close procedure requirements are set out Appendix B and include, but are not limited to:

- preparing pro-forma financial statements
- conducting asset revaluations and related activities
- resolving accounting and audit issues.

In practical terms, agencies should:

- identify which agency group they are in (per Appendix D) and build the due date for financial statements and working papers into year-end reporting timetables, including allowing time for management review and ensuring audit and risk committee work plans and meeting dates accommodate the circular's requirements
- determine the date at which they will perform early close procedures, which must be no later than April, as per the circular
- ensure stakeholders are aware of the year-end reporting timetable
- liaise with auditors about the impact of the early close procedures on the timing of audit work
- agree the form and timing of auditor feedback on the outcomes of the early close procedures.

This edition includes:

- **Get ready – early close procedures**
- **Enhancing audit quality**
- **G100 seek engagement with standard setters over discount rates**
- **What's coming - AASB work program 2013**

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Appendix B to the Circular includes practical guidance on implementing early close procedures and Appendix G contains links to other relevant financial reporting resources.

Enhancing Audit Quality

The [IAASB](#) has released for public comment a new consultation paper addressing audit quality. [A Framework for Audit Quality](#) seeks input from stakeholders internationally with an interest in continually enhancing audit quality.

The IAASB seeks responses to the following questions:

1. Does the framework cover all areas of audit quality that you would expect? If not, what else should be included?
2. Does the framework reflect the appropriate balance in the responsibility for audit quality between the auditor (engagement team and firm), the entity (management and those charged with governance), and other stakeholders? If not, which areas of the framework should be revised and how?
3. How do you intend to use the framework? Are changes needed to the form or content of the framework to maximize its value to you?
4. What are your views on the suggested 'Areas to Explore'? Which, if any, should be given priority and by whom? Are there additional 'Areas to Explore'?

Comments close 15 May 2013.

G100 seek engagement with standard setters over discount rates

The [Group of 100](#) (G100), an association of senior finance executives has issued a position paper '[Discount Rate for Employee Benefits](#)'.

The position paper discusses G100 concerns over the use of the government bond rate as the default discount rate to measure employee benefit liabilities under AASB 119 Employee Benefits (based on IAS 19). The G100 argues that the government bond rate is not the rate at which entities can borrow and creates misleading liability values for users of financial statements.

The G100 is engaging with the IASB and the AASB to clarify what is meant by the terms 'high quality', 'government' and 'deep market' in IAS 19/AASB 119. The G100 is also monitoring an [IFRIC project](#) regarding the use of a government bond rate as a default rate in the absence of a liquid market in high quality corporate bonds.

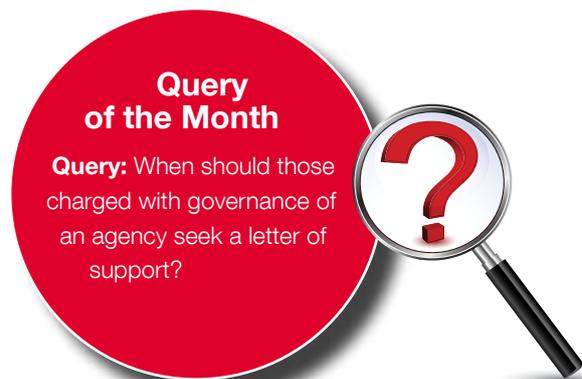
Government agencies must currently determine discount rates by reference to Commonwealth Government bond rates (refer to NSW Treasury Circulars [12/06](#) and [11/04](#)).

What's Coming – AASB Work Program 2013

The AASB has released its [Summary Work Program for 2013](#). The summary should be read in the context of the detailed [AASB Work Program](#).

Items of note for the coming year include:

- IPSASB convergence project – exposure draft to be issued in Q2 2013
- withdrawal of AASB 1031 Materiality – Q2 2013
- related party disclosures in not-for-profit public sector entities – to be released in Q2 2013
- equity method of accounting: accounting for other net asset changes (proposed amendments to IAS 28 Investments in Associates and Joint Ventures) – ED closes Q1 2013
- finalisation of financial instruments governance, risk management and compliance related projects – Q1 to Q4 2013
- post-implementation review of IFRS 3 Business Combinations – after Q4 2013
- continuing consideration of revenue recognition and leases.



Answer: Those charged with governance of a controlled entity should seek a letter of support from the parent entity as soon as they become aware of a possible need for such support for the controlled entity.

The letter of support protects those charged with governance by ensuring the agency's solvency. This is particularly important for entities to which the *Corporations Act 2001* (Corps Act) applies because trading while insolvent is an offence. A letter of





support is not just a 'tick a box' process.

Those charged with governance are responsible for ensuring the financial statements appropriately reflect the financial situation of the entity for a period of time (income statement), at a point in time (balance sheet), and looking forward (use of the going concern assumption in preparing the financial statements, notes and continuous disclosure).

If it is uncertain whether an entity can continue as a going concern, those charged with governance have a responsibility to disclose this in the financial statements. An entity must be confident it can meet its obligations for a minimum of 12 months after issuing the financial statements, if it prepares its financial statements on a going concern basis.

Where ongoing financial support is required, those charged with governance should obtain a letter of support annually.

For entities subject to the Corps Act, the directors' declaration must include a statement that the entity will be able to pay its debts when they become due and payable (refer to s. 295(4)).

Auditors of entities subject to the Corps Act must report contraventions of that Act or that they have reasonable grounds to suspect contraventions of that Act have occurred to ASIC within 28 days (refer to s. 311).

Audit Office of New South Wales

Peter Achterstraat, New South Wales Auditor-General:

- presented at CPA Australia's Past President's Luncheon on his role Auditor-General (30 January 2013)
- participated in the Australia and New Zealand School of Government roundtable discussion 'identification of related work in New South Wales and opportunities to connect work in New South Wales to the OECD' (31 January 2013)
- presented at the Senior Group of the Institution of Surveyors NSW annual luncheon 'The role the Auditor-General plays in improving transparency and accountability' (5 February 2013)
- presented to a visiting delegation from Gyeonggi Province – Republic of Korea (18 February 2013).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

The AASB has:

- issued [ED 235](#) Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to AASB 136). Comments close 28 February 2013.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 20 to 31 January 2013](#)

Some sessions were jointly held with the FASB. Topics discussed included:

- rate-regulated activities
- revenue recognition
- financial instruments: hedge accounting
- integrated reporting
- conceptual framework
- post-implementation review of IFRS 8 Operating Segments.

The IASB has:

- issued [ED 2013/1](#) Recoverable Amount Disclosures for Non-Financial Assets (Proposed Amendments to IAS 36). Comments close 19 March 2013
- released a summary of discussions resulting from its [Disclosure in Financial Reporting](#) forum, held in London on 28 January 2013
- released findings resulting from its [Disclosure Overload](#) survey
- issued a [podcast](#) to clarify certain aspects of its proposed ED 2012/4 issued in Australia as [ED 230](#) Classification and Measurement: Limited amendments to IFRS 9 (Proposed amendments to AASB 9 (2010))
- signed a [memorandum of understanding](#) with the International Integrated Reporting Council (IIRC) that demonstrates their common interest in improving the quality and consistency of global corporate reporting to deliver value to investors and the wider economy.

International Update – International Valuation Standards Council (IVSC)

The IVSC has released:

- an [exposure draft](#) to amend twelve international valuation standards to reflect subsequent IVS publications and other changes. Comments close 30 April 2013





- a [discussion paper](#) – Valuation of Liabilities. Comments close 30 April 2013
- an [exposure draft](#) – Valuation Uncertainty, in response to the European Banking Authority's proposals for prudential valuation adjustments. Comments close 15 February 2013.

International Update – International Federation of Accountants (IFAC)

IFAC is [calling for nominations](#) for the 46 vacant positions on its various audit, education, ethics and public sector standard setting boards that will become available in 2014. Nominations can be made until 15 March 2013.

International Update – International Financial Reporting Standards (IFRS) Foundation

The IFRS Foundation has:

- released an exposure draft of the [2013 IFRS Taxonomy](#) which is open for comment until 18 March 2013
- published part one of [new IFRS teaching material](#) covering requirements for property, plant and equipment and other non-financial assets.

International Update – Interpretations Committee

[IFRIC Meeting Highlights – 22 and 23 January 2013](#)

The committee discussed:

- IAS 1 Presentation of Financial Statements – Disclosure requirements about assessment of going concern
- IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IFRIC 12 Service Concession Arrangements – Variable payments for the separate acquisition of PPE and intangible assets
- IAS 32 Financial Instruments: Presentation – Put options written on non-controlling interests
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets – Interpretation on Levies
- Interpretations Committee decisions and work in progress.

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

The AUASB invites comment on the [IAASB's Exposure Draft ISA 720](#) – The Auditor's Responsibilities in Relation to Other Information in Documents Containing or Accompanying

Audited Financial Statements and the Auditor's Report Thereon. Comments close 22 February 2013.

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

Sir David Tweedie, president of the [Institute of Chartered Accountants of Scotland](#), welcomed as a 'wonderful opportunity' news that the IAASB seeks to make audit a more vital part of investment analysis.

Treasury – NSW Government

New Treasury Policy Papers, Circulars and Research Papers

- [NSW TC13/01](#) Mandatory early close procedures for 2013 (25 January 2013)
- [TRP13-1](#) Interstate comparison of taxes 2012-2013 (January 2013)
- [TC 13/02](#) Mandates of Options and Major Policy Decisions under Australian Accounting Standards.

Department of Premier and Cabinet

New Ministerial Memoranda and Department Circulars

- [M2013-01](#) UrbanGrowth NSW.

Australian Securities and Investments Commission (ASIC)

Recent [regulatory guides](#) released:

- RG 245 Fee disclosure statements.

Recent [consultation papers](#) released:

- CP196 Periodic statements for quoted and listed managed investment products and relief for AQUA products
- CP197 Holding scheme property and other assets
- CP198 Review of the effectiveness of an online database for small amount lenders.

ASIC [Media Releases](#):

- 13-007MR ASIC releases guidance on FOFA fee disclosure statements
- 13-013MR SMSF auditor register is here
- 13-024MR ASIC consults on reforms to regulation of the debenture sector.





ASIC has:

- announced its focuses for [31 December 2012 financial reports](#) and ASIC's focus areas for 2013

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

- The Council of Australian Governments (COAG) has issued a [consultation paper](#) on understanding the extent of the regulatory duplication that may arise as ACNC governance and financial reporting regulation interacts with existing state based laws affecting charities. Comments close 21 February 2013
- The [Commissioner](#) is requesting participation on the ACNC's proposed regulatory approach. Comments close 1 March 2013.

New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- Report 17: Design and Implementation of the Energy Efficiency Information Grants Program (29 January 2013)
- Report 18: Administration of Communities for Children under the Family Support Program (30 January 2013)
- Report 19: Administration of New Income Management in the Northern Territory (31 January 2013)
- Report 20: Administration of the Domestic Fishing Compliance Program (5 February 2013)
- Report 21: Individual Management Services Provided to People in Immigration Detention.

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

- New Zealand Defence Force: The Civilianisation project (December 2012)
- New Zealand Police: Enforcing drink-driving laws (February 2013).

Victorian Auditor-General's Office (VAGO)

- Addressing Homelessness: Partnerships and Plans (2012-13:20)

Useful Resources

Commonwealth Government Treasury

Treasury has released the following publications:

- the 2012 Tax Expenditures Statement which details concessions, benefits and incentives delivered to tax payers through the tax system (31 January 2013)
- a Pocket Guide to the Australian Tax System (22 January 2013).

Independent Commission Against Corruption (ICAC)

- ICAC has released a report: Investigation into the smuggling of contraband into the Metropolitan Special Programs Centre at Long Bay Correctional Complex (23 January 2013).

Productivity Commission

- released '[Report on Government Services 2013](#)' (31 January 2013).

Independent Pricing & Regulatory Tribunal (IPART)

IPART has released [new publications](#) relating to local government and the water industry.

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

- council notifications received by IPART for 2013/14 special variations (12 February 2012)
- draft water and sewerage prices for Gosford and Wyong Councils' residents and non-residents (19 February 2013).

Australian Competition & Consumer Commission (ACCC)

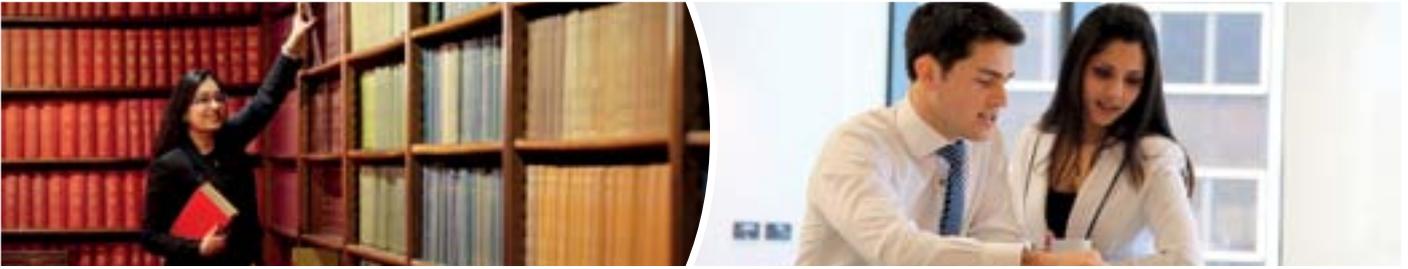
- ACCC launches Small Business in Focus report (30 January 2013)
- ACCC commences Federal Court proceedings against Visa Inc (4 February 2013).

Institute of Internal Auditors (IIA)

The IAA has:

- released [position paper](#): The three lines of defense in effective risk management and control (25 January 2013)
- issued [policy paper](#): Internal audit and freedom of information (18 January 2013)
- issued [policy paper](#): Internal audit and Government Information (Public Access) Act 2009 (NSW) (18 January 2013)
- issued [policy paper](#): Internal audit policy agenda which outlines five policy principles applicable to all organisations and sectors (22 February 2013).





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