

# Professional update

Accounting and auditing developments |



February 2015

## Hot Topics

### Hot Topic 1: Mandatory Early Close Procedures for 2014-15

NSW Treasury has released [NSW TC '15-02 'Mandatory Early Close Procedures for 2014-15'](#) setting out requirements for early close financial statements.

The circular applies to all NSW public sector agencies including State Owned Corporations. All early close procedures set out in Treasury Circular TC 15/02 must be conducted at 31 March. Agencies unable to do so must obtain Treasury's written consent to conduct early close at a month-end other than 31 March.

Agencies must agree the audit requirements for early close with the Audit Office and early close procedures should be completed and ready for audit as soon as possible, but no later than 27 April.

Agencies must send Treasury details of the early close procedures they completed at the same time as they provide the outcomes of these procedures to the Audit Office (refer Appendix B to the circular).

The Audit Office will provide observations/feedback to agencies by 29 May 2015 to enable them to take corrective action on material audit issues.

Treasury requires agencies to report emerging issues and their potential impact on year-end projections and forward estimates at three points during the year – 16 February, 27 April and 26 June.

Treasury will issue a separate circular detailing the year-end requirements and timetable.

### Hot Topic 2: Mandated Options under Australian Accounting Standards

NSW Treasury has released [NSW TC 15/03 'Mandates of Options and Major Policy Decisions under Australian Accounting Standards'](#). Where Australian Accounting Standards allow certain accounting policy options, Treasury has mandated which option agencies must apply.

The circular applies to all entities that must prepare general purpose financial statements under the *Public Finance and Audit Act 1983*, including Statutory State Owned Corporations, for financial years ending on or after 30 June 2015.

### Hot Topic 3: Cash Management – Expanded Scope of the Treasury Banking System

NSW Treasury has released a new circular [NSW TC 15-01 Cash Management – Expanding the Scope of the Treasury Banking System](#), which aims to bring all agencies (excluding State Owned Corporations and authorities specifically approved by the Treasurer) under the Treasury Banking System (TBS).

The circular seeks to optimise the State's cash and debt position by reducing agencies currently operating outside of the TBS. With this in mind, the Expenditure Review Committee of Cabinet has determined that all NSW public sector agencies, except those specifically exempted, hold 'at call' cash deposits within the TBS. 'At call' deposits includes funds held with Treasury Corporation within the 'Cash' and

## This edition includes:

- o **Mandatory Early Close Procedures for 2014-15**
- o **Mandated Options under Australian Accounting Standards**
- o **Cash Management – Expanded Scope of the Treasury Banking System**
- o **Expanded Mandate for the Provision of Audit or Audit Related Services Relating to Information, Reports or Returns**

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'Strategic Cash' Hour-Glass facilities.

The key changes are:

- Westpac will no longer pay interest directly to agencies. Instead, Treasury currently proposes to pay interest to the agencies in March and September each year based on daily cash balances.
- Treasury may ask new entrants to the TBS to provide forecasts of their cash balances to help with sector wide cash management.

Agencies have been advised that Treasury will also:

- advise Westpac to deem existing agency accounts (and newly created accounts) to be part of the TBS
- require agencies with volatile cash balances to provide periodic forecasts of cash balances. This will involve agencies determining a 'cash needs buffer' and their 'cash needs' based on a cash flow analysis
- require agencies to distinguish between 'restricted' and 'unrestricted' cash balance in their monthly reporting in the Treasury Online Entry System (TOES).

This decision will take effect from 1 April 2015.

#### Hot Topic 4: Expanded mandate for the provision of audit or audit related services relating to information, reports or returns

The Auditor-General has received a request from the Treasurer under section 27B(3)(c) of the *Public Finance and Audit Act 1983*, to provide audit or audit related services relating to information, reports or returns required by the terms of a contract, lease or agreement between the NSW Government agency and third parties.

Any agency requiring such audit services should advise the audit team so the work can be scheduled to meet the contract, lease or agreement's timing and other requirements.

### Audit Office of New South Wales

#### Auditor-General's Financial Audit Reports to Parliament

- [Volume Eleven 2014 focusing on Planning and Environment](#) (4 December 2014)
- [Volume Twelve 2014 focusing on Health](#) (9 December 2014)
- [Volume Thirteen 2014 focusing on Education and Communities](#) (12 December 2014)

- [Volume Fourteen 2014 focusing on Trade and Investment](#) (17 December 2014)
- [Volume One 2015 Areas of focus from 2014](#) (20 February 2015).

#### Auditor-General's Performance Audit Reports to Parliament

- [The Learning Management and Business Reform Program](#) (16 December 2014)
- [WestConnex: Assurance to the Government](#) (18 December 2014)
- [Security of Critical IT Infrastructure](#) (21 January 2015)
- [Vocational Education and Training Reform](#) (29 January 2015).

#### Audit Office Better Practice Guides

- [Governance Lighthouse – Strategic Early Warning System](#) (20 February 2015)
- [Fraud Control Improvement Kit: Managing Your Fraud Control Obligations](#) (20 February 2015).

### Accounting Update

#### Australian Update – Australian Accounting Standards Board (AASB)

The AASB has released:

- [ED 257](#) Classification and Measurement of Share-based Payment Transactions (28 November 2014)
- [ED 258](#) Disclosure Initiative - Proposed amendments to AASB 107 (22 December 2014)
- [ED 259](#) Classification of Liabilities – Proposed amendments to IAS 1 (12 February 2015)
- Updated [standard-setting work program](#) (20 February 2015).

The AASB has issued:

- AASB 9 Financial Instruments (December 2014)
- AASB 15 Revenue from Contracts with Customers (December 2014)
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (December 2014)
- AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants (December 2014)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)





- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (December 2014)
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (December 2014)
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (January 2015)
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (January 2015)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (January 2015)
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent (January 2015)
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception (January 2015).

#### **AASB Meeting Highlights – 17-18 December 2014**

The AASB Board met in public on 17-18 December 2014. At this meeting the Board made key decisions in relation to:

- Approval of AASB 9 Financial Instruments
- Service Concession Arrangements
- Service Performance Reporting.

The Board also discussed the following topics:

- Fair Value Measurement – Unit of Account
- Fair Value Disclosures for Not-for-Profit Public Sector Entities
- Recognition of Deferred Tax Assets for Unrealised Losses
- Financial Reporting Requirements for Australian Groups with a Foreign Parent
- Annual Improvements 2012-2014 Cycle
- Rate Regulation
- Classification and Measurement of Share-based Payment Transactions

- IPSASB Consultation Paper – Applicability of IPSASs to Government Business Enterprises
- IFRS Interpretations Committee and Revenue Transition Resource Group
- Insurance Contracts.

#### **AASB Meeting Highlights – 11 February 2015**

The AASB Board met in public on 11 February 2015. At this meeting the Board made key decisions in relation to:

- Related Party Disclosures for Not-for-Profit Public Sector Entities
- Service Concession Arrangements – Grantor Accounting
- Removal of Cross-References from Financial Statements to Other Documents
- Income from Transactions of Not-for-Profit Entities.

The Board also discussed the following topics:

- Residual Value of Recyclable Assets
- Financial Instruments – Reduced Disclosure Requirements
- Meeting with IPSASB Chair
- International Projects.

AASB documents open for comment:

- Exposure Draft - ED 257 Classification and Measurement of Share-based Payment Transactions - November 2014 – Comments due to AASB by 25 February 2015
- Exposure Draft - ED 258 Disclosure Initiative (Proposed amendment to AASB 107) - December 2014 - Comment to AASB by 20 March 2015
- Proposed Agenda Decision - AASB 116 - Recognition of Residual Value for Infrastructure Assets - February 2015 - Open for comment to AASB until 20 April 2015
- Exposure Draft - ED 259 Classification of Liabilities (Proposed amendments to AASB 101) - February 2015 – Comments due to AASB 9 May 2015.

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

##### IASB Meeting Highlights – 16 December 2014

The topics for discussion were:

- IFRS for SMEs: Comprehensive Review 2012–2014
- Post-implementation Review: IFRS 3 Business Combinations





- IAS 40 Investment Property: Accounting for a structure that lacks the physical characteristics of a building
- IFRIC Update
- Leases
- Disclosure Initiative.

#### [IASB Meeting Highlights - 20-22 January 2015](#)

The topics for discussion were:

- Leases
- Conceptual Framework
- IFRS for SMEs: Comprehensive Review 2012–2014
- Disclosure Initiative
- Narrow-scope amendments to IAS 19 Employee Benefits and IFRIC 14 IAS 19 -The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- Measuring investees at fair value through profit or loss: an investment-by-investment choice or a consistent policy choice
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: Narrow-scope Amendment to IFRS 10 and IAS 28, issued September 2014 - Interaction with paragraph 32 of IAS 28
- Insurance Contracts
- Emissions Trading Schemes.

The IASB also met on 18-20 February 2015. A meeting summary is not yet available.

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

##### [IFRIC Meeting Highlights – 27 January 2015](#)

Items on the current agenda:

- IAS 16 Property, Plant and Equipment—Accounting for the proceeds and costs of testing PPE: should net proceeds reduce the cost of an asset?
- IAS 21 The Effects of Changes in Foreign Exchange Rates - Revenue transaction denominated in a foreign currency: What is the date of the transaction for the purpose of identifying the applicable exchange rate for revenue recognition?
- IAS 32 Financial Instruments: Presentation - Classification of the liability for prepaid cards issued by a bank in the bank's financial statements.

Interpretations Committee agenda decisions:

- IFRS 12 Disclosure of Interests in Other Entities - disclosures for a subsidiary with a material non-controlling interest
- IFRS 12 Disclosure of Interests in Other Entities - disclosure of summarised financial information about material joint ventures or associates
- IFRS 13 Fair Value Measurement - the fair value hierarchy when third-party consensus prices are used
- IAS 39 Financial Instruments: Recognition and Measurement and IAS 1 Presentation of Financial Statements - Income and expenses arising on financial instruments with a negative yield - presentation in the statement of comprehensive income
- IAS 39 Financial Instruments: Recognition and Measurement - accounting for embedded foreign currency derivatives in host contracts
- IFRIC 21 Levies - levies raised on production property, plant and equipment.

Interpretations Committee tentative agenda decisions:

- IAS 24 Related Party Disclosures - definition of close members of the family of a person
- IAS 28 Investments in Associates and Joint Ventures - assessment of significant influence: fund manager acting as agent and holding own investment in the fund.

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

##### [IFRS Foundation Meeting Highlights – 2 to 3 February 2015](#)

The trustee meeting discussed the following topics:

- Report of the Chair of the Trustees: Strategic Overview
- Report of the Chair of the IASB: Technical Update
- IFRS Use Around the World.

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

IPSASB has recently issued the following:

- Standard on First-Time Adoption of Accrual Basis IPSASs
- IPSASs on Accounting for Interests in Other Entities
- Overview of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities.





### [IPSASB Meeting Highlight – 8-11 December 2015](#)

The Board meeting included discussion on the following topics:

- Interests in Other Entities
- First-time Adoption of Accrual Basis IPSASs
- Reporting Service Performance
- Social Benefits
- Public Sector Combinations
- Strategy and Work Program.

## **Auditing Update**

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

The AUASB has released the following:

- [ASAE 3150 Assurance Engagements on Controls](#)

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

The IAASB has released the following:

- [IAASB Issues Final Standards to Improve Auditor's Report](#)

International [Exposure Draft](#) proposed ISA 800, *Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and ISA 805, *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

### [IAASB Meeting Highlights – 1-5 December 2014](#)

Items on the agenda included:

- To finalise ISA 720 (Revised) – The Auditor's Responsibilities Relating to Other Information
- To discuss issues relating to the voluntary communication of key audit matters in the auditor's report.

### [IAASB Meeting Highlights – 22 January 2015](#)

This meeting discussed:

- Auditing Disclosures in Financial Statements – Issues and Revised Proposed Requirements in ISA 315 (Revised), ISA 330 and ISA 700 (Revised).

## **Ethics Update**

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

The APESB have released the following:

- APESB's Submission on IESBA's Consultation Paper on Improving the Structure of the Code
- APESB Issues Revised APES 315 Compilation of Financial Information.

### [APESB Meeting Highlights – 28 January 2015](#)

Topics discussed by APESB at its meeting included:

- Revision of APES 315 Compilation of Financial Information
- Proposed Exposure Draft for APES 350 Due Diligence Committees
- Status update on APES GN 41 Management Representation Process.

## **The Treasury - NSW Government**

### **New Treasury Policy Papers, Circulars and Research Papers**

NSW Treasury has released the following pronouncements:

- [NSW TC 14-31](#) Guidelines on Reporting of Investment and Liability Management Performance (5 December 2014)
- [NSW TPP15-01](#) Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities (February 2015)
- [NSW TC 15-01](#) 'Cash Management – Expanding the Scope of the Treasury Banking System' (19 January 2015)
- [NSW TC 15-02](#) 'Mandatory Early Close Procedures for 2014-15' (30 January 2015)
- [NSW TC 15-03](#) 'Mandates of Options and Major Policy Decisions under Australian Accounting Standards' (6 February 2015)
- [NSW TC 15-04](#) Industrial Relations: Deductions for Rent Directive (11 February 2015)

## **Public Service Commission (PSC)**

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

- PSCC2014-16 Medical assessment services for the NSW government sector





- PSCC2015-01 2014-15 NSW Public Service Senior Executive Remuneration Management Framework
- PSCC2015-02 Assignment to Role - Guidelines

## Public Accounts Committee

### Inquiries

No new inquiries have been commenced by The NSW Parliament's Public Accounts Committee.

## Australian Securities and Investments Commission (ASIC)

Recent [consultation papers](#) released:

- CP 227 Disclosure and APRA reporting requirements for superannuation trustees.

## Australian Prudential Regulation Authority (APRA)

Recent [APRA releases](#):

- [14.29](#) APRA releases final prudential standard and prudential practice guide on risk management
- [15.01](#) APRA releases final reporting requirements for superannuation – select investment options.

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

Recent [ACNC releases](#):

- Revokes the charity status of 392 that the regulator believes are no longer operating (10 February 2015).

## New Publications by Other Audit Offices

### Australian National Audit Office (ANAO)

- Report 10: Administration of the Biodiversity Fund Program (9 December 2014)
- Report 11: The Award of Grants under the Clean Technology Program (10 December 2014)
- Report 12: Diagnostic Imaging Reforms (11 December 2014)
- Report 13: Management of the Cape Class Patrol Boat Program (16 December 2014)

- Report 14: 2013–14 Major Projects Report (17 December 2014)
- Report 15: Administration of the Export Market Development Grants Scheme (17 December 2014)
- Report 16: Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2014 (18 December 2014)
- Report 17: Recruitment and Retention of Specialist Skills for Navy (18 December 2014)
- Report 18: The Ethanol Production Grants Program (28 January 2015)
- Report 19: Management of the Disposal of Specialist Military Equipment (5 February 2015)
- Report 20: Administration of the Tariff Concession System (5 February 2015)
- Report 21: Delivery of Australia's Consular Services (10 February 2015)
- Report 22: Administration of the Indigenous Legal Assistance Programme (17 February 2015)
- Report 23: Administration of the Early Years Quality Fund (17 February 2015)
- Report 24: Managing Assets and Contracts at Parliament House (26 February 2015).

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

- Ministry of Social Development: Using a case management approach to service delivery (December 2014)
- Central government: Results of the 2013/14 audits (December 2014)
- Government planning and support for housing on Maori land (December 2014)
- Ministry for Primary Industries: Managing the Primary Growth Partnership (February 2015)
- Response of the New Zealand Police to the Commission of Inquiry into Police Conduct: Fourth monitoring report (February 2015)
- Education for Maori: Relationships between schools and whanau (February 2015)
- Local government: Results of the 2013/14 audits (February 2015).





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

- Accounting and Auditing Developments newsletter (28 November 2014)
- Report No. 6 of 2014-15: Auditor-General's Report on the Financial Statements of State entities, Volume 1 – Analysis of the Treasurer's Annual Financial Report 2013-14 (15 December 2014)
- Accounting & Auditing Developments newsletter (17 December 2014)
- Report No. 7 of 2014-15: Local Government Authorities, Joint Authorities and Tasmanian Water Corporation Pty Ltd 2013-14 (19 February 2015).

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

- 2014–15:14 Additional School Costs for Families (11 February 2015)
- 2014–15:15 Responses to 2012–13 Performance Audit Recommendations (11 February 2015)
- 2014–15:16 Water Entities: Results of the 2013–14 Audits (12 February 2015)
- 2014–15:17 Portfolio Departments and Associated Entities: Results of the 2013–14 Audits (12 February 2015)
- 2014–15:18 Public Hospitals: Results of the 2013–14 Audits (25 February 2015)
- 2014–15:19 Efficiency and Effectiveness of Hospital Services: High-value Equipment (25 February 2015)
- 2014–15:20 Effectiveness of Support for Local Government (26 February 2015)
- 2014–15:21 Local Government: Results of the 2013–14 Audits (26 February 2015).

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

- Supplementary Reports of the Auditor-General for the year ended 30 June 2014 (4 December 2014)
- Audit of the Gillman site transaction: Key shortcomings in assessing an unsolicited proposal: December 2014 (10 February 2015)
- Report on the Adelaide Oval redevelopment (2 March 2015).

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

- Opinion on Ministerial Notification (18 December 2014)
- Regulation of Real Estate and Settlement Agents (18 February 2015).

### Queensland Auditor-General's Office ([QAO](#))

- Report 4: Results of audit: State public sector entities for 2013-14 (25 November 2014)
- Report 5: Results of audit: Hospital and Health Service entities 2013-14 (25 November 2014)
- Report 6: Results of audit: Public non-financial corporations (25 November 2014)
- Report 7: Results of audit: Queensland state government financial statements 2013-14 (9 December 2014)
- Report 8: Traveltrain renewal: Sunlander 14 (9 December 2014)
- Report 9: 2018 Commonwealth Games progress (16 December 2014)
- Report 10: Bushfire prevention and preparedness (16 December 2014).

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

- Report 7: 2013-14 Financial Audits (December 2014).

### Northern Territory Auditor-General's Office ([NTAGO](#))

- Report to the Legislative Assembly (17 February 2015).

## Useful Resources

### Commonwealth Government Treasury

Speeches by Department Head, Dr Martin Parkinson PSM:

- [Looking ahead: challenges and opportunities for Australia](#) (Address to the Committee for Economic Development of Australia) - 27 November 2014
- [Reflections on Australia's era of economic reform](#) (Address to the European Australian Business Council) – 5 December 2014
- [Australia's Economic Policy Challenges](#) (Address to the Committee for Economic Development of Australia) - 27 February 2015





## Independent Commission Against Corruption (ICAC)

Recent publication:

- [Election Funding, Expenditure and Disclosure in NSW: Strengthening accountability and transparency](#) (17 December 2014)

## Productivity Commission

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

- Natural Disaster Funding (17 December 2014)
- Report on Government Services (28 January 2015)
- On Productivity (25 February 2015).

## Independent Pricing & Regulatory Tribunal (IPART)

Recent IPART releases include the following [information/fact sheets](#):

- Fact Sheet - IPART financeability test - ratio calculations (12 December 2014)
- Fact Sheet - New approach to forecasting the WACC (weighted average cost of capital) inflation adjustment (19 December 2014)
- Fact sheet - Regulatory treatment to finance leases (22 January 2015)
- Fact Sheet - WACC Biannual Update (16 February 2015).

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