

Professional update

Accounting and auditing developments |



July 2015

This edition includes:

- International Accounting Standards Board releases Conceptual Framework Exposure Draft
- TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector
- ASIC focus areas for 30 June 2015 financial reports
- Administrative Changes — Public Service Agencies

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Hot Topics

Hot Topic 1: International Accounting Standards Board releases Conceptual Framework Exposure Draft

The International Accounting Standards Board (IASB) recently issued Exposure Draft [ED 2015/3 'Conceptual Framework for Financial Reporting'](#) which is intended to provide a more comprehensive and transparent set of concepts to underpin financial reporting, including:

- providing additional guidance on presentation and disclosure, measurement, financial performance (including the use of other comprehensive income), derecognition of assets and liabilities and the reporting entity concept
- clarifying aspects of the existing framework
- revising outdated concepts.

ED 2015/3 is accompanied by [ED 2015/4 'Updating References to the Conceptual Framework'](#) to link the revised framework to existing standards. The IASB is seeking comments on both EDs by 26 October 2015.

The Australian Accounting Standards Board has issued equivalent exposure drafts [ED 264 'Conceptual Framework for Financial Reporting'](#) and [ED 265 'Updating References to the Conceptual Framework'](#), which close for comment on 5 October.

IASB ED 2015/3 (and the equivalent AASB ED 264) will significantly impact the future development of accounting standards. Readers are encouraged to review the proposals and assess whether they articulate clear and appropriate principles.

Hot Topic 2: TPP 15-03 Internal Audit and Risk Management Policy for the NSW Public Sector

NSW Treasury has released [TPP 15-03 'Internal Audit and Risk Management Policy for the NSW Public Sector'](#) (the Policy), which is effective from 1 July 2015. It supersedes and withdraws the previous policy, TPP 09-05.

The Policy is issued as a Direction to 'department heads' and 'statutory bodies' listed in Schedules 2 and 3 of the *Public Finance and Audit Act 1983* (PF&A Act). It aims to help agencies meet the legislative obligations under section 11 of that Act, which requires agencies to put in place an effective system of internal control. The Policy has three core principles that seek to strengthen internal audit, risk management and governance practices in departments and statutory bodies.

The Policy retains TPP 09-05's 'better practice' approach to internal audit and risk management, but now reflects the principles and objectives of NSW Treasury's Financial Management Transformation Program.

NEW requirements include:

- a department's Chief Audit Executive must have appropriate professional certifications and qualifications and/or demonstrate a high-level of experience
- an agency's internal audit function must have a charter that contains the structural elements of, and is consistent with the Policy's model charter



- the ARC must comprise only ‘independent members’ (including an independent chair)
- the initial term of membership of the ARC must be at least three years, but not exceed five years. Members can be reappointed for a further term, but membership must not exceed eight years in total. The maximum term as Chair must not exceed five years
- the ARC’s charter must be consistent with the Policy’s model charter.

The Policy has transitional arrangements for new agencies implementing the core requirements for the first time and for existing agencies implementing new core requirements not previously required by TPP 09-05.

The Policy requires each agency head to attest compliance with the core requirements in an attestation statement published in the agency’s Annual Report. A copy of this statement must be provided to NSW Treasury on or before 31 October each year. Agencies unable to comply with a core requirement may, in limited circumstances, apply to the Portfolio Minister for an exception.

Hot Topic 3: ASIC focus areas for 30 June 2015 financial reports

ASIC has announced the [focus areas](#) for its surveillance program of 30 June 2015 financial reports.

ASIC Commissioner, John Price, highlighted that ‘Directors and auditors should continue to focus on values of assets and accounting policy choices’.

ASIC confirmed the following accounting estimate focus areas:

- impairment testing and asset values
- off-balance sheet arrangements
- revenue recognition
- expense deferral
- tax accounting
- estimates and accounting policy judgements
- impact of new revenue and financial instrument standards.

Hot Topic 4: Administrative Changes — Public Service Agencies

On 27 May 2015, the NSW Government released [Administrative Arrangements Order \(No 2\) 2015](#), effective from 1 July 2015. The Order:

- establishes a new department – the Department of Industry, Skills and Regional Development
- abolishes two departments:
 - the Department of Trade and Investment, Regional Infrastructure and Services (DTIRIS) with most of its functions/parts/employees transferred to the Department of Industry, Skills and Regional Development
 - the Ministry for Police and Emergency Services with its functions/employees transferred to the Department of Justice
- changes the name of two departments:
 - the Department of Education and Communities becomes the Department of Education
 - the Office of Finance and Services becomes the Department of Finance, Services and Innovation
- transfers functions/parts/employees between departments
- clarifies:
 - the Secretary of DTIRIS continues to be employed as a Public Service Senior Executive, but does not become the Secretary of the Department of Industry, Skills and Regional Development
 - the Chief Executive of the Ministry for Police and Emergency Services continues to be employed in the Department of Justice as a Public Service Senior Executive, but does not become the Secretary of the Department of Justice.

Guidance about how restructures should be accounted for is available in [TPP 09-03 ‘Accounting Policy: Contributions by owners made to wholly-owned Public Sector Entities’](#).

Audit Office of New South Wales

Auditor-General’s Performance Audit Reports to Parliament

- [Identifying productivity in the public sector](#) (16 July 2015).





Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

The [AASB has issued](#):

- Agenda Decision 'Definition of Residual Value in relation to Infrastructure Assets' (June 2015)
- AASB 2015-7 'Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities' (July 2015).

The AASB has released:

- Updated [standard-setting work program](#) (13 July 2015).

The AASB Board [met on 8 July 2015](#) and made key decisions in relation to:

- Fair Value Disclosures of Not-for-Profit Public Sector Entities
- Reduced Disclosure Requirements (Tier 2) Principles
- Reporting Service Performance Information.

The Board also discussed the following topics:

- Insurance Contracts
- Conceptual Framework
- IPSASB Consultation Process
- International Projects Update
- Education Session and Roundtable Debrief
- Presentation from Australian Auditing & Assurance Standards Board Chair
- Strategic Plan Update
- Research Update.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 22-25 June 2015](#)

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

- Insurance Contracts
- Financial Instruments with Characteristics of Equity
- Pollutant Pricing Mechanisms (formerly Emissions Trading Schemes)
- Revenue from Contracts with Customers
- Research Programme
- Disclosure Initiative

- IFRS Implementation Issues
- The Equity Method of Accounting.

[IASB Speeches and Releases](#)

[IASB has released](#):

- IFRS Foundation Trustees announcement of the new composition of ASAF (24 June 2015)
- IASB speech: Historical cost and fair value are not as far apart as they may seem (29 June 2015)
- June IFRS for SMEs Update (30 June 2015)
- update of the jurisdictional profile of Canada and Thailand (3 July 2015)
- Trustees seek public input to review of the structure and effectiveness of the IFRS (7 July 2015)
- summary of the June 2015 Trustees' meeting (8 July 2015)
- report of the June 2015 Due Process Oversight Committee meeting (8 July 2015)
- a report on the new UAE Companies Law, which requires IFRS (10 July 2015)
- IASB's Taxonomy Consultative Group's June discussions (14 July 2015).

International Update – International Federation of Accountants (IFAC)

[IFAC has recently released](#):

- IPSASB June 2015 Meeting Audio Podcast Highlights (26 June 2015)
- IAASB Q&A Document, IAASB Handbook (1 July 2015)
- Emerging Trends in the Public Sector: Governance, Risk Management & Internal Control (5 July 2015)
- Integrated Reporting: Leading Practices & International Developments (5 July 2015)
- IAASB Update (9 July 2015)
- Global Accountancy Leaders Weigh In on Key Trends, Proposed IFAC Activities for 2016-2018 (10 July 2015).





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

[IPSASB Meeting Highlight - 23-26 June 2015](#)

The Board discussed the following topics:

- Social Benefits
- Cash Basis IPSAS Review
- Governance Update and IPSASB Consultative Advisory Group
- Consequential Changes from Chapters 1-4 of Conceptual Framework
- Revenue
- Non-Exchange Expenses
- Government Business Enterprises
- Public Sector Combinations
- Work plan
- Emissions Trading Schemes
- Public Sector Specific Financial Instruments.

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[The AUASB has issued:](#)

- A new Guidance Statement – GS 022 Grant Acquittals and Multi-Scope Engagements (2 July 2015)
- July 2015 Edition of AUASB International Update (10 July 2015).

Ethics Update

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

[IESBA Meeting Highlights – 29 June – 1 July 2015](#)

Topics discussed at the IESBA meeting included:

- Structure of the Code of Ethics for Professional Accountants (the Code)
- Long Association
- Part C of the Code
- Safeguards.

The IESBA recently released:

- Consultation Paper on Guiding Principles for Implementing a Learning Outcomes Approach (7 July 2015)
- Revised Framework for International Education Standards for Professional Accountants and Aspiring Professional Accountants (14 July 2015).

Financial Reporting Council (FRC)

The FRC recently released:

- [Financial Reporting Council \(6 March 2015\)](#).

The Treasury - NSW Government

New Treasury Policy Papers, Circulars and Research Papers

NSW Treasury has released the following pronouncements:

- [TC 15/10](#) Crown Employees (Public Sector – Salaries 2015) Award
- [TC15/12](#) Industrial Relations: Early Retirement Benefits
- [TC15/13](#) Mobility of Superannuation for Employees Transferring Employment between the NSW Public Sector, Local Government Sector and Electricity Distribution Sector
- [TC15/14](#) Superannuation Retrenchment Benefits.

Premier and Cabinet – NSW Government

- [M2015-03 – Changes to the NSW Government Cabinet Process.](#)

Public Service Commission (PSC)

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

- Your Government Employee Number.

Australian Securities and Investments Commission (ASIC)

ASIC has recently released Regulatory:

- [FS71 AFSL audit report \(30 June 2015\)](#)
- [RG166 Licensing: Financial requirement \(1 July 2015\)](#).

ASIC has recently released reports:

- [REP 439](#) Snapshot of the Australian hedge funds sector
- [REP 440](#) Financial benchmarks
- [REP 441](#) Response to submissions on ASIC's Regulator Performance Framework evidence metrics.





Australian Prudential Regulation Authority (APRA)

Recent APRA releases:

- National Claims and Policies Database reports for December 2014 (24 June 2015)
- Letter to all RSE licensees – Revisions to Superannuation Reporting Standards (26 June 2015). [26 reporting standards](#) as final, pending determination (28 April 2015). Seven of the new standards have subsequently been updated for further clarification
- Letter to RSE licensees regarding proposed amendments to governance requirements (26 June 2015)
- Information paper on outsourcing involving shared computing services, including cloud (6 July 2015).

New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- Procurement Initiatives to Support Outcomes for Indigenous Australians (8 July 2015)
- Regulation of Unsolicited Communications (14 July 2015).

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

- Sale of ACTTAB (26 June 2015).

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

- Supplementary Report of the Auditor-General: June 2015 (15 July 2015).

Tasmanian Audit Office (TAS AO)

- Strategic Plan and Other.

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

- Regulation of Training (24 June 2015)
- Opinions on Ministerial Notifications (25 June 2015)
- Management of Pesticides in Western Australia (30 June 2015)
- Managing the Accuracy of Leave Records (30 June 2015).

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

- Annual Plan 2015/16 (22 June 2015).

Useful Resources

[Commonwealth Government Treasury](#)

- Australia's longer-term economic challenges (10 July 2015).

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

- Thought Leadership Paper: Leveraging COSO Across the Three Lines of Defence (7 July 2015).

Department of Justice NSW

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

- New era for legal services in NSW and Victoria (1 July 2015).

Productivity Commission

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

- Trade and Assistance Review 2013-2014 (24 June 2015)
- National Partnership Agreement on Essential Vaccines 2013-2014 – National Partnership (25 June 2015)
- Draft report – Mutual Recognition Scheme (26 June 2015)
- Superannuation Policy for Post-Retirement (7 July 2015).

Independent Pricing & Regulatory Tribunal (IPART)

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

- Proposed revisions to WICA Network Operator's Reporting Manual – June 2015
- Fit for the Future (1 July 2015)
- Valuer General's prices for land valuation services to councils from 1 July 2015
- Water and sewerage charges and typical customer bills from 1 July 2015
- Prices and bills for groundwater users in 2015-16 (2 July 2015)
- Prices and bills for regulated river users in 2015-16 (2 July 2015)
- Prices and bills for unregulated river users – No Change in 2015-16 (2 July 2015)
- Review of reporting and compliance burdens on Local Government (13 July 2015)
- Competitiveness of the retail electricity market in NSW (20 July 2015)
- Fact Sheet - Finding the best fare structure for Opal (21 July 2015).





IPART has issued the following [media releases](#):

- Review of prices for Hunter Water Corporation to apply from 1 July 2016 – 30 June 2015
- Review of prices for Sydney Water Corporation from 1 July 2016 – 30 June 2015
- Review of prices for Water NSW from 1 July 2016 – 30 June 2015
- All requested NSW Councils lodge Fit for the Future proposals (1 July 2015)
- Call for submissions: Reporting and Compliance burdens on Local Government (13 July 2015)
- Draft Report on competition in the retail electricity market (July 2015)
- Public transport fares under review (21 July 2015).

Australian Institute of Company Directors (AICD)

AICD media releases:

- Independent directors are essential for good governance of super funds (26 June 2015).

Association of Superannuation Funds of Australia (ASFA)

- Robust governance positive for super: ASFA (26 June 2015).

Water Accounting Standards Board (WASB)

- Benchmarking urban water utilities (6 July 2015)
- New tool to support water security (6 July 2015).

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