

Professional update

Accounting and auditing developments | July 2016

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This edition includes:

- ASIC focus areas for 30 June 2016 financial reports
- Digital disruption: what do governments need to do?
- ASIC launches enhanced corporate governance resource

Hot Topics

Hot Topic 1: ASIC focus areas for 30 June 2016 financial reports

The Australian Securities and Investments Commission (ASIC) has announced the [focus areas](#) for its surveillance program of 30 June 2016 financial reports. ASIC Commissioner, John Price, highlighted that ‘Directors and auditors should continue to focus on values of assets and accounting policy choices’.

The confirmed ASIC focus areas are:

- 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.

Further information can be found in ‘ASIC Information Sheet 183 Directors and financial reporting’ ([INFO 183](#)) and ‘ASIC Information Sheet 203 Impairment of non-financial assets: Materials for directors’ ([INFO 203](#)).

Hot Topic 2: Digital disruption: what do governments need to do?

The Federal Government’s Productivity Commission (the Commission) recently released a Research Paper on ‘Digital Disruption: What do governments need to do?’ The paper explores the disruptive potential of digital technologies for markets and competition, workers and society, and the way governments operate.

The role of government is critical in facilitating the adoption of, and innovation, in digital technology. Key points highlighted by the Commission include:

- governments influence the development and pace of adopting new technologies
- governments should seek to mitigate adverse economic impacts and risks to individuals, consumers and the environment from digital disruption
- governments continue to lag behind households in the uptake of innovative digital technology
- governments can make better use of digital technologies to improve processes for on-the-ground service delivery
- governments can use digital technology to improve transparency and enhance confidence in government policies and processes.



Through case studies, the Commission's report explores the impact of digital technologies for:

- digital intermediaries and platforms
- advanced manufacturing
- transport technologies
- energy technologies.

The full report can be accessed [here](#).

Hot Topic 3: ASIC launches enhanced corporate governance resource

ASIC has overhauled the corporate governance section on its website to help companies and their officers understand their obligations and improve their practices.

The Commission recognises the importance to markets of Australian companies adopting good corporate governance. ASIC Commissioner John Price says, 'Good corporate governance is the foundation upon which investor trust and confidence in companies is built. It is only through good governance that fair, orderly, transparent and efficient markets can be achieved.'

ASIC officers regularly comment on governance issues in speeches and published articles on the website. Resources include:

- managing conflicts
- shareholder engagement
- director oversight of financials and audit
- emerging risk management
- handling corporate information
- executive remuneration
- culture
- corporate actions involving share capital
- directors as gatekeepers
- introductory and procedural guidance.

These resources and links to other sources of regulatory and best practice guidance can be found [here](#).

Public sector entities may find the following resources useful and relevant:

- Department of Premier and Cabinet's [NSW Public Sector Governance Framework](#)
- Audit Office of New South Wales' [Governance Framework](#).

Audit Office of New South Wales

Auditor-General's Financial Audit Reports to Parliament

- [Volume Three 2016 Additional Entitlements for Members of Parliament \(30 June 2016\)](#).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

[AASB Meeting Highlights – 21 to 22 June 2016](#)

The AASB Board made key decisions in relation to:

- Income of NFP Entities
- Service Concession Arrangements: Grantor
- Insurance Contracts
- Reduced Disclosure Requirements.

The Board also discussed the following topics:

- Financial Reporting Framework
- Public Sector Combinations
- International Projects
- Research Update
- Emerging Issues
- AASB Agenda Consultation
- Classification and Measurement of Share-Based Payment Transaction.

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

- International Edition (25-16) (23 June 2016)
- June 2016 Action Alert is now available (23 June 2016)
- Updated AASB Standard Setting Work Program – 30 June 2016 (30 June 2016)
- Simplified impairment requirements bring cost savings to Australian NFPs (30 June 2016)
- Clarifying the Definition of a Business and Accounting for Previously Held Interests (4 July 2016)
- Amendments to AASB 2 (21 July 2016).

AASB has recently issued:

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities





- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-Based Payment Transactions
- Exposure Draft – ED 275 Definition of a Business and Accounting for Previously Held Interests – comments are requested by 23 September 2016.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 20 and 22 June 2016](#)

Topics discussed included:

- Goodwill and Impairment
- Financial Instruments with Characteristics of Equity (Oral Update)
- Insurance Contracts
- Conceptual Framework – Definition of income and expenses and information about financial performance
- Annual Improvements – IAS 12 Income Taxes – Presentation of income tax consequences arising from dividends.

[IASB Meeting Highlights – 18 to 19 July 2016](#)

Topics discussed included:

- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS Standards Implementation
- Conceptual Framework – Definition of an asset, recognition and factors to consider when selecting a measurement basis
- Financial Instruments with Characteristics of Equity
- Research Update
- 2015 Agenda Consultation.

[IASB Podcasts](#)

Recent podcasts released by the IASB:

- June 2016 IASB meeting.

International Update – Interpretations Committee

[IFRIC Meeting Highlights – 12 July 2016](#)

The Committee discussed the following topics:

- Items on the current agenda
 - IAS 21 The Effects of Changes in Foreign Exchange Rates – Foreign currency transactions and advance consideration

- IAS 19 Employee Benefits and IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Comment letter summary
- IAS 12 Income Taxes – Uncertainty Over Income Tax Treatments – Comment letter summary
- Interpretations Committee's tentative agenda decisions
 - IAS 12 Income Taxes – Expected manner of recovery of indefinite life intangible assets when measuring deferred tax
- Interpretation Committee's agenda decisions
 - IFRS 11 Joint Arrangements and IFRS 10 Consolidated Financial Statements – Accounting for loss of control transactions
 - IFRIC 12 Service Concession Arrangements – Payments made by an operator to a grantor in a service concession arrangement
- Other matters
 - Interpretations Committee work in progress update.

International Update – International Federation of Accountants (IFAC)

[Latest news from IFAC](#) included:

- BREXIT: Uncertainty Abounds; IFAC Recognizes Challenges Ahead, Renews Calls for Global Cooperation to Support Strong, Sustainable Global Economy (24 June 2016)
- New Online Content from IFAC Features Profiles of Professional Accountancy Organizations, Adoption of International Standards (13 July 2016)
- Making Sense of Complex Change – Internal Audit and the Boardroom (20 July 2016)
- New IFAC Research Report Demonstrates Positive Association Between Business Performance and Use of Accountants (21 July 2016)
- Call for Outcome-Focused Regulation and Regular Reviews at IFAC-ICAEW Roundtable (22 July 2016).

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

[Latest news from IPSASB](#) included:

- IPSASB June 2016 Meeting Highlights Podcast (29 June 2016)
- IPSASB released 2016 Handbook of International Public Sector Accounting Pronouncements (15 July 2016)





- IPSASB Consultative Advisory Group Holds Inaugural Meeting (19 July 2016).

[IPSASB Meeting Highlights – 21 to 24 June 2016](#)

The Board discussed the following topics:

- Public Sector Financial Instruments
- Governance
- Employee Benefits
- Social Benefits
- Leases
- Heritage
- Impairment of Revalued Assets
- Revenue and Non-Exchange Expenses.

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB has recently released:](#)

- Exposure Draft 03/16 Proposed Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements (14 July 2016).

Comments are requested by 15 August 2016.

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

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

- IAASB June 2016 Meeting Highlights Podcast (6 July 2016).

IAASB has recently released:

- Determining and Communicating Key Audit Matters (6 July 2016)
- Responding to Noncompliance with Laws and Regulations Fact Sheet (14 July 2016)
- IESBA Q&A Video Series: Responding to Noncompliance with Laws and Regulations (14 July 2016).

[IAASB Meeting Highlights – 21 to 24 June 2016:](#)

- Responding to Noncompliance with Laws and Regulations (NOCLAR)
- ISA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures
- Professional Scepticism

- ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

- Data Analytics
- Integrated Reporting
- Agreed-Upon Procedures
- IASB Work Plan for 2017-2018.

Ethics Update

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

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

- New guidance aids fair value measurement in financial reporting (21 July 2016).

The APESB has recently released:

- [Proposed Standard: APES 310 Client Monies](#) (15 July 2016), with comments requested by 9 September 2016.

[APESB Meeting Highlights – 31 May 2015:](#)

- Proposed guidance note APES GN 21 Valuation Services for Financial Reporting
- Proposed revision of APES 310 Dealing with Client Monies
- Proposed guidance note APES GN 41 Management Representations
- Annual Review of APES 205 Conformity with Accounting Standards
- Annual Review of APES 210 Conformity with Auditing and Assurance Standards
- Annual Review of APES 345 Reporting on Prospective Financial Information Prepared in Connection with a Public Document
- International and other activities.

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

[Latest news from IESBA:](#)

- IESBA June 2016 Meeting Highlights Podcast (29 June 2016)
- IESBA Redefines Accountants' Ethical Role When Laws and Regulations Broken (14 July 2016).





IESBA Meeting Highlights – 27 to 29 June 2016:

- Structure of the Code
- Review of Safeguards in the Code
- Professional Scepticism
- Responding to Noncompliance with Laws and Regulations
- Long Association of Audit Firm Personnel with an Audit Client
- Review of Extant Part C of the Code
- Presentation Regarding the International Forum of Independent Regulators (IFIAR).

Financial Reporting Council (FRC)

FRC Meeting Highlights – 22 March 2016:

- Review of FRC role
- Appointment of AUASB Chair (Treasury)
- Financial Reporting and Auditing Simplifications Project
- Committee Reports
- Monitoring of AASB and accounting standards
- Monitoring and AUASB and auditing standards
- Governance
- International Update
- Stakeholder reports.

Latest media releases from the FRC:

- Appointments – chair and members – Financial Reporting Council (29 April 2016)
- FRC appoints board members to the AASB and AUASB (1 July 2016).

Treasury – NSW Government

Treasury has recently issued Policy Paper:

- [TPP16-02](#) Guidance on Shared Arrangements and Subcommittees for Audit and Risk Committees (July 2016).

Treasury has recently issued the following Circulars:

- [TC 16-07](#) Industrial Relations: Crown Employees (Public Sector – Salaries 2016) Award (24 June 2016)
- [TC16-08](#) Industrial Relations: Crown Employees Wages Staff (Rates of Pay) Award 2016 (27 June 2016).

Department of Premier and Cabinet

New Ministerial Memoranda issued:

- [M2016-03](#) Model Litigant Policy for Civil Litigation and Guiding Principles for Civil Claims for Child Abuse (29 June 2016)
- [M2016-04](#) NSW Government Core Legal Work Guidelines (1 July 2016).

NSW Procurement Board

NSW Procurement Board recent procurement alerts:

- Extension of consultants in construction prequalification scheme (24 June 2016)
- Extension of Contract 2310 Microsoft enterprise agreement (27 June 2016)
- Extension of Contract 2390 Imaging Devices Hardware (30 June 2016)
- Official travel in Australia and overseas (7 July 2016)
- Devolution of Contract 622 Removal of deceased remains (8 July 2016)
- Devolution of Contract 409 Removal of household effects (8 July 2016)
- Office furniture prequalification scheme – updated list of suppliers (14 July 2016)
- Award of contract 1400840 Integrated security services (19 July 2016)
- New NSW Government legal services panel (19 July 2016).

NSW Procurement Board recent Board Directions:

- PBD-2016-03 – Construction standards and conformance (6 July 2016)
- PBD-2016-04 – Accessing information about non-government organisations delivering human services (6 July 2016).

Public Accounts Committee

The Public Accounts Committee has recently commenced [inquiries](#):

- Inquiry into Wambelong fire inquiry evidence (22 June 2016)
- Inquiry into Childhood overweight and obesity (23 June 2016)
- Inquiry into Crown land (23 June 2016)
- Inquiry into museums and galleries (23 June 2016).





The Public Accounts Committee recent [reports](#):

- Reparations for the Stolen Generations in New South Wales (23 June 2016)
- The Final Report of the Expert Panel – Political Donations and the Government’s Response (23 June 2016)
- 2016 Review of the Annual Reports of Oversighted Bodies (23 June 2016)
- Review of the 2013–14 and 2014–15 Annual Reports of the Health Care Complaints Commission (23 June 2016)
- Management of Sharks in New South Wales Waters (23 June 2016)
- Elder Abuse in New South Wales (24 June 2016).

Australian Securities and Investments Commission (ASIC)

Recent [speech](#) released:

- Good corporate culture, values and ethics (20 July 2016).

Recent [consultation papers](#) released included:

- CP 262 Remaking and repealing ASIC class orders on markets and securities (13 July 2016)
- CP 263 Risk management systems of responsible entities: Further proposals (21 July 2016)
- CP 265 Communicating audit findings to directors, audit committees or senior managers (25 July 2016).

ASIC [Media Releases](#) included:

- 16-198MR ASIC finalises relief to smooth transition for responsible entities to implement new tax system for managed investment funds
- 16-200MR ASIC reports on decisions to cut red tape – October 2015 to March 2016
- 16-205MR ASIC review of 31 December 2015 financial reports.

Australian Prudential Regulation Authority (APRA)

Recent APRA [releases](#) included:

- APRA proposes revisions to the role of the Appointed Actuary and actuarial advice for insurers (21 June 2016).

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

Recent ACNC [releases](#) included:

- ACNC: Charities risk of revocation (28 June 2016)
- More ACNC compliance action – seven organisations lose charity status in June (5 July 2016)
- Charities can ‘Ask ACNC’ at 26 free events (20 July 2016).

New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- ANAO Risk Management Framework 2016–17 (8 July 2016).

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

- Energy sector: Results of the 2014–15 audits (June 2016)
- Annual Plan 2016–17 (June 2016).

Australian Capital Territory Audit Office (ACT AO)

- Management and administration of credit cards by ACT Government entities (24 June 2016).

Northern Territory Auditor-General’s Office (NT AO)

- Report to the Legislative Assembly (23 June 2016).

Queensland Auditor-General’s Office (QAO)

- Report 20: Heavy vehicle road access reforms (29 June 2016).

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

- Supplementary Report to Parliament for the year ended 30 June 2015 – Department for Communities and Social Inclusion – Concessions: June 2016 (5 July 2016)
- Supplementary Report to Parliament for the year ended 30 June 2015 – Enterprise Patient Administration System: June 2016 (5 July 2016).

Tasmanian Audit Office (TAS AO)

- Tasmanian Audit Office Annual Plan of Work 2016–17 (30 June 2016)
- Accounting & Auditing Developments newsletter – June 2016 (6 July 2016).

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

- Regulation of Builders and Building Surveyors (22 June 2016)
- Information Systems Audit Report (22 June 2016)





- Maintaining the State Road Network – Follow-On Audit (29 June 2016)
- Management of Feedback from Public Trustee Represented Persons (30 June 2016)
- Management of Marine Parks and Reserves (30 June 2016)
- Grant Administration (7 July 2016)
- Financial and Performance Information in Annual Reports (21 July 2016).

Useful Resources

Commonwealth Government Treasury

Commonwealth Government Treasury has [recently published](#):

- Council of Financial Regulators Report on the implications of Brexit (21 June 2016).

Department of Justice NSW

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

- Budget delivers faster fairer accessible justice (21 June 2016).

Independent Commission Against Corruption (ICAC)

- Survey reveals highest level of community perception in 22 years that ICAC reduces corruption (23 June 2016).

Independent Pricing & Regulatory Tribunal (IPART)

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

- Fact Sheet – Review of the WaterNSW operating licenses – June 2016 (23 June 2016).

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