

# Professional update

Accounting and auditing developments | July 1 2017

## Contents

- 1** Hot Topics
- 3** Audit Office of New South Wales
- 3** Accounting Update
- 4** Auditing Update
- 4** Ethics Update
- 4** The Treasury– NSW Government
- 5** NSW Procurement Board
- 5** Office of Local Government
- 5** Australian Securities and Investments Commission (ASIC)
- 5** Australian Charities and Not-for-profits Commission
- 5** New publications by other Audit Offices
- 6** Useful Resources

## This edition includes:

- Proposed narrow scope amendments to AASB 116 'Property, plant and equipment'
- TPP17-07 'NSW Public Private Partnerships Guidelines 2017' released
- TPP17-08 'Requirements for Issuing, Managing and Reporting Instruments of Assurance' released
- NSWTC 17-07 'Accounting for Superannuation' issued

## Hot Topics

### Proposed narrow scope amendments to AASB 116 'Property, plant and equipment'

The Australian Accounting Standards Board (AASB) recently issued Exposure Draft [ED 280 'Property, Plant and Equipment – Proceeds before Intended Use'](#) proposing narrow-scope amendments to AASB 116 'Property, Plant and Equipment'. ED 280 was issued following the release of ED/2017/4 'Property, Plant and Equipment – Proceeds before Intended Use' by the International Accounting Standards Board's (IASB).

Entities may produce items as a result of testing newly purchased and installed plant and equipment. The proposals will prohibit deducting sale proceeds from the cost of bringing an item of property, plant and equipment to the location and condition necessary for it operate in the manner intended by management. Instead an entity would recognise such sale proceeds in the profit or loss.

Comments are due to the AASB by 18 September 2017 and the IASB by 19 October.

### TPP17-07 'NSW Public Private Partnerships Guidelines 2017' released

The NSW Treasury recently issued [TPP17-07 'NSW Public Private Partnerships Guidelines 2017'](#) (the Guidelines) superseding the previous version, TC12-15. Public Private Partnerships (PPPs) are long-term arrangements between the public and private sector for the delivery of service enabling public infrastructure. These Guidelines apply to all NSW Government agencies and State Owned Corporations.

The primary changes under the 2017 Guidelines include:

- greater detail across all project phases, from business case through to construction delivery and ongoing operations
- a clearer requirement to involve NSW Treasury where the capital value of a PPP is estimated to exceed \$100m
- greater clarity and integration of the Government approvals process and key project steps to related Treasury Circulars and Policies as well as the Infrastructure Investor Assurance Framework (IIAF), including the NSW Gateway Review System and the Environmental and Planning Approval process
- clearer guidance on required Treasurer's approvals under the *Public Authorities (Financial Arrangements) Act 1987* for new and existing joint financing arrangements and associated new or existing Guarantee of a Responsible Agency's financial contractual obligations
- guidance for any overlaps with the Unsolicited Proposals Guide
- updated and revised Fiscal Impact Tables and Negotiation Parameters that are required to be prepared during the Planning and PPP Procurement and Delivery Phases
- early establishment of the Governance Framework in consultation with NSW Treasury
- refined procurement processes with prescribed templates from NSW Treasury, with departures requiring approval



- earlier bidder interaction and engagement of Delivery Project Director, electronic submission of bids and ensuring all evaluators have appropriate experience and training in PPP evaluation and value for money bid evaluation
- a requirement to comply with TC15-16 'Managing PPP Contracts'
- post implementation reviews to be conducted consistent with the Gateway Review System and IIAF for Tier 1 projects and one to two years after operations have commenced
- new requirements for producing PPP Project Summaries (formerly Contract Summaries) to improve readability, consistency with other jurisdictions and to ensure Summaries are produced in a cost effective and timely manner.

The NSW Auditor-General is no longer required to audit the Project Summary as redacted Project Contracts are now released under the *Government Information (Public Access) Act 2009*.

### TPP17-08 'Requirements for Issuing, Managing and Reporting Instruments of Assurance' released

NSW Treasury recently issued [TPP 17-08 'Requirements for Issuing, Managing and Reporting Instruments of Assurance'](#) superseding the previous version, TPP17-04. The Policy establishes Core Requirements to help agencies manage and report guarantees and letters of comfort (collectively known as Instruments of Assurance).

The Policy is issued as a Treasurer's Direction to:

- 'Department heads' under section 18 of the *Annual Reports (Departments) Act 1985*
- 'Statutory bodies' under section 15 of the *Annual Reports (Statutory Bodies) Act 1984*
- 'Officers of an authority' and 'accounting officers' under section 9 of the *Public Finance and Audit Act 1983*.

The Policy is effective from 1 January 2018 and applies to all:

- material entities identified in the NSW Government Budget Papers. State Owned Corporations may be requested to apply the Policy's Core Requirements in their Statement of Corporate Intent
- Instruments of Assurance issued by, or on behalf of agencies and any which are subsequently transferred, assigned or vesting in the agency.



The Policy outlines the four mandatory Core Requirements:

- Core Requirement 1: Agencies must not issue any Instrument of Assurance that may have implications that exceed the agency's ability or authority to honour
- Core Requirement 2: An agency must undertake and document a risk assessment of any proposed Instrument of Assurance prior to approving the instrument to be issued. The agency must continue to manage, and regularly assess and review, the risks associated with any Instruments of Assurance for the life-cycle of the instrument
- Core Requirement 3: Agencies must record all approved Instruments of Assurance with a value exceeding \$1,000,000 in an internal agency register, as well as any other Instruments of Assurance that the agency considers material
- Core Requirement 4: Agencies must report the details of all Instruments of Assurance with a value exceeding \$5,000,000 to Treasury as part of the Agency's financial reporting obligations.

### NSWTC 17-07 'Accounting for Superannuation' issued

NSW Treasury recently issued [NSWTC 17-7 'Accounting for Superannuation'](#), superseding the previous version, TC14-05. The Circular outlines the accounting treatment for superannuation in NSW public sector entities for financial years ending on or after 30 June 2017.

The Circular is issued as a Direction under sections 9 and 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and applies to all NSW public sector entities required to prepare general purpose financial reports under the PF&A Act, including Statutory State Owned Corporations.

The Circular has been updated to reflect the additional disclosures in AASB 1056 Superannuation Entities, effective from 2016-17. While AASB 1056 applies only to superannuation entities, the Circular mandates the AASB 1056 disclosures for all NSW public sector entities whose superannuation is not assumed by the Crown.

Entities where the Crown assumes the defined benefit superannuation balances/funding responsibility of certain General Government Sector entities, should recognise a superannuation expense and equivalent revenue for the assumption of the liability.



Where the Crown does not assume the defined benefit superannuation balances/funding responsibility, entities must account for the net defined benefit liability/asset per AASB 119 Employee Benefits.

## Audit Office of New South Wales

Margaret Crawford, NSW Auditor-General:

- 29 June – Local Government NSW Forum – Good Governance in Action, ‘Good governance in practice – The new world of audit and financial governance’ – Presentation
- 6/7 July – ACAG Business meeting – Attendance.

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

- [ICT in schools for teaching and learning](#) (6 July 2017 )

## Accounting Update

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

[AASB Meeting Highlights](#) – 27 June 2017

Topics discussed by the AASB at its meeting included:

- Licences
- Australian Financial Reporting Framework – NFP Benchmarking
- Service Concession Arrangements: Grantors
- Tax Disputes
- Insurance
- Academic Presentation: SME Reporting in Australia.

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

- End of an era (29 June 2017)
- More companies should report on tax liabilities (4 July 2017)
- AASB Provisional Strategy available for public comment (6 July 2017)
- Updated AASB work program as at 14 July 2017 (14 July 2017).

The AASB has recently [issued](#):

- Exposure Draft – ED 280 Property, Plant and Equipment – Proceeds before Intended Use June 2017 – Open for comment.

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

[IASB Meeting Highlights](#) – 21/22 June 2017

Topics discussed included:

- Conceptual Framework
- Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)
- Primary Financial Statements
- Rate-regulated Activities
- IFRS Implementation Issues
- Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)
- Dynamic Risk Management (Education Session)
- Definition of a Business.

[IASB Podcasts](#)

Recent podcasts released by IASB include:

- June 2017.

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

- IASB proposes amendments to IAS 16 to reduce diversity in practice (20 June 2017)
- How are IFRS Standards developed? (26 June 2017)
- June 2017 IFRS for SMEs Update published (28 June 2017)
- FSB urges insurers to start implementation of IFRS 17 as soon as possible (17 July 2017).

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

[IFRS Interpretations Committee Highlights](#) – 13 June 2017

The Committee’s tentative agenda decisions:

- IFRS 3 – Acquisition of a group of assets that does not constitute a business
- IAS 28 – Acquisition of an associate or joint venture from an entity under common control
- IAS 37 – Costs considered in assessing whether a contract is onerous.

The Committee’s agenda decisions:

- IAS 19 – Discount rate in a country that has adopted another country’s currency
- IAS 32 – Centrally cleared client derivatives







- IAS 33 – Tax arising from payments on participating equity instruments
- IAS 41 – Biological assets growing on bearer plants.

### International Update – International Federation of Accountants (IFAC)

Recent [news](#) by IFAC included:

- Capacity Building in Context: Insights from the PAO Development Committee (28 June 2017)
- New International Public Sector Financial Accountability Index to Stimulate PFM Reform (13 July 2017).

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

[IPSASB Meeting Highlight](#) – 27-30 June 2017

The Board discussed the following topics:

- Revenue and non-exchange expenses
- Public sector specific financial instruments and measurement
- Social benefits
- Leases.

IPSASB has recently [issued](#) the following:

- IPSASB Staff Podcast on Materiality (21 June 2017)
- IPSASB June 2017 Meeting Highlights Podcast (14 July 2017).

## Auditing Update

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

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

- Audit Committees: A guide to good practice, 3<sup>rd</sup> Edition (29 June 2017)
- Auditor Responsibility Statements updated (29 June 2017)
- Auditor Reporting Requirements now in effect (29 June 2017)
- AUASB Provisional Strategy available for public comment (6 July 2017).

AUASB has recently [issued](#):

- ASA 2017-1 Amendments to Australian Auditing Standards.

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

[IAASB Meeting Highlights](#) – 19-22 June 2017

Topics discussed:

- Quality Control – Firm and Engagement Level
- Emerging External Reporting
- Quality Control – Consideration of Networks
- Group Audits
- Data Analytics
- Professional Scepticism.

## Ethics Update

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

[IESBA Meeting Highlights](#) – 19-21 June 2017

Topics discussed:

- Inducements, including gifts and hospitality
- Safeguards
- Fees
- Professional scepticism.

## The Treasury - NSW Government

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

Treasury has recently issued the following policy papers:

- [TPP17-07](#) NSW Public Private Partnerships Guidelines (29 June 2017)
- [TPP17-08](#) Requirements for Issuing, Managing and Reporting Instruments of Assurance (7 July 2017).

Treasury has recently issued the following circulars:

- [TC17-07](#) Accounting for Superannuation (23 June 2017)
- [TC17-08](#) Crown Employees (Public Sector – Salaries 2017) Award (5 July 2017)
- [TC17-09](#) Crown Employees Wages Staff (rates of Pay) Award 2017 (6 July 2017)
- [TC17-10](#) Review of Meal, Travelling and other Allowances (12 July 2017).





Treasury has recently [published](#):

- Treasury On-Line Entry System (TOES) Training Documentation Manual - revised June 2017 (24 June 2017)
- Weekly Economic Calendar (17 July 2017)
- Weekly Market Wrap (17 July 2017).

## NSW Procurement Board

### Frameworks and Directions

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

- Consultants in construction scheme rolling over to 30 June 2019 (30 June 2017)
- Variation in contract 2390 Imaging devices (6 July 2017)
- Survey on Financial assessment services scheme (12 July 2017).

NSW Procurement [Board Directions](#) included:

- PBD 2017-02 – Use of Procure IT for procurement of ICT goods and services (3 July 2017).

## Office of Local Government

Recent [publications](#) released:

- 17-16 Transition from Administration to the Integrated Planning and Reporting Framework for merged councils (26 June 2017)
- 17-17 Councillor Expenses and Facilities Policy – Better Practice Template (27 June 2017)
- 17-20 2017 Local Government elections – Hit the Ground Running workshops (18 July 2017).

## Australian Securities and Investments Commission (ASIC)

Recent [regulatory guides](#) released:

- RG 260 Communicating findings from audit files to directors, audit committees or senior managers (23 June 2017).

Recent [information sheets](#) released:

- INFO 222 Improving and maintaining audit quality (29 June 2017)
- INFO 223 Audit quality – The role of others (29 June 2017)
- INFO 224 ASIC audit inspections (29 June 2017).

Recent [reports](#) released:

- REP 533 Response to submissions on CP 265 Communicating audit findings to directors, audit committees or senior managers (23 June 2017)
- REP 534 Audit inspection program report for 2015-16 (29 June 2017).

Recent [speeches](#) released:

- Productivity Commission Inquiry into the state of competition in the Australian financial system: Roundtable – ASIC Opening Statement (29 June 2017)
- Global regulatory coordination and the value of global forums in a period of rapid change (9 July 2017).

ASIC [Media Releases](#):

- 17-191MR ASIC reports on decisions to cut red tape – October 2016 to March 2017 (20 June 2017)
- 17-200MR Communicating ASIC's findings from audit files (23 June 2017)
- 17-214MR ASIC's inspection of audits for 2015-16 (29 June 2017)
- 17-219MR ASIC review of 31 December 2016 financial reports (30 June 2017).

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

Recent ACNC [releases](#):

- Charities warned: submit your 2016 AIS now (23 June 2017)
- Supporting those that support us: red tape cut for charities (29 June 2017)
- ACNC releases new guidance on board remuneration (12 July 2017).

## New Publications by Other Audit Offices

### Australian National Audit Office (ANAO)

- Pesticide and Veterinary Medicine Regulatory Reform (22 June 2017)
- Department of Health's Co-ordination of Communicable Disease Emergencies (22 June 2017)
- Review of ANAO better practice guides (26 June 2017)





- Implementation of the Annual Performance Statements Requirements 2015-16 (26 June 2017)
- myGov Digital Services (27 June 2017)
- Interim Report on Key Financial Controls of Major Entities (28 June 2017)
- Procurement of the National Cancer Screening Register (29 June 2017)
- Malabar Headland: 2016 Lease between the Commonwealth of Australia and the New South Wales Rifle Association (30 June 2017)
- Accounting and Reporting of Australia's Greenhouse Gas Emissions Estimates and Projections (10 July 2017)
- Defence's Management of Materiel Sustainment (11 July 2017)
- Supporting Good Governance in Indigenous Corporations (12 July 2017)
- Jobactive: Design and Monitoring (12 July 2017).

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

- Border security: Using information to process passengers (16 June 2017)
- The Auditor-General's strategic intentions to 2025 (22 June 2017)
- Annual Plan 2017/8 (26 June 2017).

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

- Mental Health Services – Transition from Acute Care (23 June 2017)
- Public Housing Renewal Program (27 June 2017).

#### **Queensland Auditor-General's Office (QAO)**

- Universities and grammar schools: 2016 results of financial audits (Report 18:2016-17) (22 June 2017)
- Security of critical water infrastructure (Report 19:2016-17) (27 June 2017)
- Education and employment outcomes for Aboriginal and Torres Strait Islander people (Report 20:2016-17) (29 June 2017).

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

- Supplementary Report for the year ended 30 June 2016: Enterprise Pathology Laboratory Information System: June 2017 (20 June 2017)
- Supplementary Report for the year ended 30 June 2016: The Torrens Road to River Torrens South Road Upgrade Project: June 2017 (20 June 2017)
- Examination of governance in local government: June 2017 (20 June 2017).

#### **Tasmanian Audit Office (TAS AO)**

- Report of the Auditor-General No. 13 of 2016-17- Gambling revenue and managing harm from gambling (22 June 2017)
- Annual Plan of Work 2017-18 (22 June 2017).

#### **Victorian Auditor-General's Office (VAGO)**

- Managing Victoria's Public Housing (2016-17:28) (21 June 2017)
- Follow Up of Selected 2014-15 Performance Audits (2016-17:29) (22 June 2017)
- Maintaining State-Controlled Roadways (2016-17:30) (22 June 2017)

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

- Timely Payment of Suppliers (21 June 2017)
- Opinion on Ministerial Notification (29 June 2017)
- Information Systems Audit Report (29 June 2017).

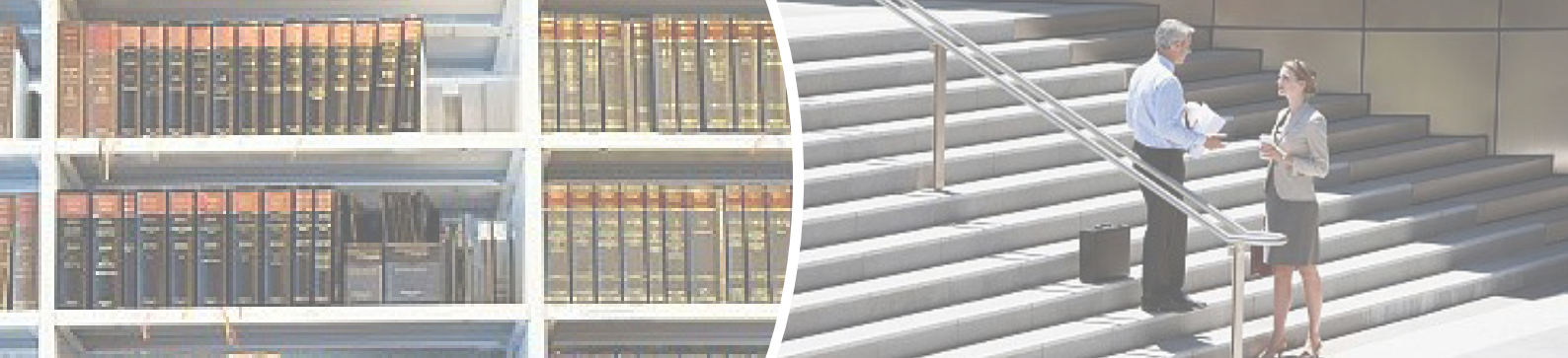
### **Useful Resources**

#### **Commonwealth Government Treasury**

Recent [media releases](#):

- Superannuation Guarantee Non-compliance (14 July).





## Independent Pricing & Regulatory Tribunal (IPART)

IPART's [papers/reports](#) included:

- Compliance Statement – 2017/18 fares for Opal services – June 2017 (23 June 2017)
- Final Report – Prices for wholesale water and sewerage services – June 2017 (30 June 2017)
- Final Determination – Sydney Water Corporation – June 2017 (30 June 2017)
- Final Determination – Hunter Water Corporation – June 2017 (30 June 2017)
- Review of WACC methodology – 4 July 2017 (4 July 2017).

## Copyright

Material in this newsletter site is protected by Copyright Law.

You may download, display, print and copy any material from this newsletter for your personal use or for non-commercial use within your organisation.

You must not copy, adapt, publish, or distribute any material contained on this site without acknowledging the source.

You must not use any material on this site for commercial purposes without the written authorisation of the Audit Office. For requests for authorisation please [contact us](#).

## Disclaimer

All material published on this site is of a general nature only and is not intended to be a substitute for or relied upon as specific professional advice.

No responsibility for loss or damage suffered by any person acting on or refraining from action as a result of any material on this site is accepted.

Although the Audit Office will take all reasonable steps to ensure material on this site is complete and accurate, no guarantees are given.

## Contact us

### Professional Update is published by:

Audit Office of New South Wales  
Level 15, 1 Margaret Street  
Sydney NSW 2000

t +61 2 9275 7100

f +61 2 9275 7200

e [auditsupport@audit.nsw.gov.au](mailto:auditsupport@audit.nsw.gov.au)

### Professional people with purpose

Making the people of New South Wales proud of the work we do.

### Disclaimer

This newsletter is of a general nature only and is not intended to be a substitute for, or relied upon, as specific professional advice. No responsibility for loss occasioned to any person acting on or refraining from action as a result of any material in the publication can be accepted.

