

Professional update

Accounting and auditing developments |



June 2012

Hot Topic

Financial Reporting Code for NSW General Government Sector Entities

NSW Treasury recently released [TPP 12-01](#) Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities (the Code), updated for changes in Australian Accounting Standards and Treasury policy requirements.

This version of the Code applies to all NSW general government sector (GGS) entities for financial years ending on or after 30 June 2012. It removes the distinction between budget dependent and non-budget dependent entities. Special purpose service entities remain exempt from the requirements of the Code ([NSWTC 11/19](#)).

The Code helps NSW GGS entities prepare financial statements by providing an outline of the form and content of financial statements and the accompanying note disclosures. Where relevant, the following are now required in the financial statements of GGS entities (including statutory bodies):

- service group disclosures (AASB 1052)
- administered item disclosures (AASB 1050)
- contribution disclosures (AASB 1004)
- budget disclosures (in primary financial statements and in Note 28).

Presentation of budget information by statutory bodies is prohibited under the *Public Finance and Audit Regulation 2010* unless required by the Act or directed by the Treasurer. The Code is issued as a Treasurer's Direction, extending the requirement to present budget information to all GGS entities, including statutory bodies.

Other changes in the Code include:

- removing net cost of services from the Statement of Comprehensive Income
- redefining the 'budget' as the amount per the original appropriation bill adjusted only for section 24 of the *Public Finance and Audit Act 1983* (PF&A Act) transfers of functions between departments
- additional disclosures on consultants and contractors in note 2(b) 'other operating expenses'
- removing some note disclosures not required by Australian Accounting Standards, such as:
 - individually significant items
 - administered income – debts written off
 - administered income – schedule of uncollected amounts
 - other expenditure commitments
- additional commentary on new Australian Accounting Standards requirements and Treasury policies (including [NSWTC 11/16](#) on Commonwealth Paid Parental Leave).

This edition includes:

- **Financial Reporting Code for NSW General Government Sector Entities**

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GGs entities must ensure the financial statements for 30 June 2012:

- follow the format prescribed by the Code
- include disclosures required by Australian Accounting Standards not covered by the Code.

The Code only reflects Standards typically relevant to a GGS entity.

The Code is issued to all GGS entities under delegation from the Treasurer in accordance with the PF&A Act and supersedes the previous version, TPP 10-01.

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

[ED 225 'Annual Improvements to IFRSs 2010-2012 Cycle'](#)

This ED adopts the IASB's proposals in ED/2012/1 '[Annual Improvements to IFRSs 2010-2012 Cycle](#)', and proposes the following changes:

- AASB 2 'Share-based payment' – amends the definition of 'vesting conditions' and adds definitions for 'performance condition' and 'service condition'
- AASB 3 'Business combinations' – clarifies accounting for contingent consideration
- AASB 8 'Operating segments' – required disclosure of factors used to identify an entity's reportable segments when operating segments have been aggregated. Clarifies the circumstances where a reconciliation of segment assets to the entity's assets is required
- AASB 13 'Fair value measurement' – address unintended consequences from previous amendments to IFRS 9 and IAS 39
- AASB 101 'Presentation of financial statements' – clarifies classification of current and non-current liabilities
- AASB 107 'Statement of Cash Flows' – clarifies that classification of capitalised interest shall follow the classification of the underlying asset
- AASB 112 'Income Taxes' – clarifies circumstances where deferred tax assets for unrealised losses can be recognised
- AASB 116 'Property, Plant and Equipment' – clarifies the requirements for the use of revaluation method

- AASB 138 'Intangible Assets' – clarifies the requirements for the use of the revaluation method
- AASB 124 'Related Party Disclosures' – clarifies identification and disclosure requirements for key management personnel services provided by a management entity
- AASB 136 'Impairment of Assets' – harmonises disclosures for value in use and fair value less costs of disposal when there has been a material impairment loss or reversal in the period.

The comment period for ED 225 and ED/2012/1 closes 13 August 2012 and 5 September 2012 respectively.

[DI/2012/1 'Levies Charged by Public Authorities on Entities that Operate in a Specific Market'](#)

The AASB seeks comments on this draft IFRIC Interpretation. The draft interpretation addresses accounting for levies that are non-exchange transactions. Comment periods close to the AASB and the IFRS Foundation on the 13 August and 5 September 2012 respectively.

[AASB Meeting Highlights – 6 to 7 June 2012](#)

The Board discussed key issues relating to:

- financial reporting by superannuation entities
- financial reporting by not-for-profit entities within the general government sector
- related party disclosures in the not-for-profit public sector
- income from transactions of not-for-profit entities
- control in the not-for-profit public and private sectors.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 21 to 25 May 2012](#)

Topics discussed by the IASB and FASB included:

- financial instruments: classifications and measurement – fair value through other comprehensive income for eligible debt instruments
- financial instruments: impairment – application of the proposed expected credit loss model to lease receivables
- investment entities – providing guidance to determine whether an entity is an 'investment entity'
- insurance contracts – treatment of distinct investment components.





Other topics discussed by the IASB in a separate session include:

- definition of the term ‘non-monetary asset’
- issues arising from disclosures made when there is a change in accounting policy
- amendments to IFRS 10 ‘Consolidated Financial Statements’
- financial instruments: impairment – rates used when discounting expected of financial assets under the “three-bucket” impairment model
- post-implementation review of IFRS 8 ‘Operating Segments’.

International Update – IFRS Interpretations Committee

[IFRIC Meeting Highlights – 15 to 16 May 2012](#)

Some topics discussed by IFRIC include:

- IAS 16 ‘Property, Plant and Equipment’ – contingent pricing of property, plant and equipment and intangible assets and IFRIC 12 ‘Service Concession Arrangements’ – payments made by an operator in a service concession arrangement
- IAS 32 ‘Financial Instruments: Presentation’ – put options written over non-controlling interests
- IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ – levies charged for participation in a specific market.

Auditing Update

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

[ASRS 4450 ‘Comfort Letter Engagements’](#)

This new standard provides requirements for auditors when providing a comfort letter to requesting parties in respect of financial information related to, and/or included in, an offering document. More information about the application of ASRS 4450 is available in the AUASB [Basis for Conclusions](#) and [Explanatory Guide](#).

[Explanatory Guide: Opening Balances](#)

This new explanatory guide provides information to auditors required under the ASAs to modify their audit opinions in relation to opening balances in an initial audit engagement, and includes a number of illustrative auditor’s reports.

Ethics Update

The Accounting Professional & Ethical Standards Board issued [APES 225 ‘Valuation Services’](#), effective for valuation engagements or assignments commencing on or after 1 September 2012, with early adoption permitted.

[APESB Meeting Highlights – 17 May 2012](#)

Topics discussed include:

- APES 230 ED ‘Financial Planning Services’ and Explanatory Memorandum
- APES 225 ‘Valuation Services’
- APES 215 ED ‘Forensic Accounting Services’.

Not-For-Profit (NFP) Reforms Update

Changes to the Start Dates for Regulatory Reform for the Not-For-Profit (NFP) Sector

The Treasury’s Not-For-Profit Reform Newsletter ([Issue 4](#)) is now available. The extended start date for the ACNC is 1 October 2012, and the budget measure to better target tax concessions will apply from 1 July 2012 for new unrelated commercial activities.

Department of Premier and Cabinet

[C2012-10](#) and PSCC2012-03 Amendments to the *Public Sector Employment and Management Act 2002* (PSEMA Act)

This circular addresses the amendments to the PSEMA Act which commenced on 11 April 2012, such as terminating policies for excess staff, performance management systems and transferring employee positions.

[C2012-11](#) Nominations sought for the Public Service Medal

This circular applies to all public sector agencies and State Owned Corporations, with nominations closing 3 August 2012.

[M2012-05](#) Council of Australian Governments – New Council System

This memoranda was issued to clarify protocols for NSW Ministers and agencies, regarding NSW participation in, and engagement with, the COAG Ministerial Council system.





Public Service Commission (PSC)

[PSCC2012-04](#) Premier's Awards for Public Service 2012

This award recognises excellence in the delivery of public services by individuals and organisations in the public, private and not for profit sectors, with nominations closing 17 August 2012.

The Treasury – NSW Government

[TC 12/13 'Agency recouping of merchant interchange fees'](#)

This circular, effective 1 July 2012, requires NSW Government agencies to impose a surcharge for credit card payments from the public or customers on a cost recovery basis only. NSW Treasury will determine the surcharge rate for Visa and MasterCard payments, and the agency will determine the surcharge rate for other card payments (e.g. Amex and Diner's Club).

Australian Securities and Investments Commission (ASIC)

- [Report 288](#) Overview of decisions on relief applications (October 2011 to January 2012)
- [RG 237](#) Trustee companies: Transfer determinations by ASIC
- [12-106MR](#) ASIC launches national Business Names Register
- [12-123MR](#) Applying for an Australian financial services licence made easier

New South Wales Auditor-General's Reports

Peter Achterstraat, New South Wales Auditor-General, recently presented on:

- leadership to the Australian Taxation Office (4 May 2012)
- key issues regarding year end accounting and audit processes at KPMG's 2012 Public Sector Reporting Issues Seminar (22 May 2012)
- the role of the Audit Office to a visiting delegation from the Audit Board of Indonesia (25 May 2012)
- holding government departments to account to the Turrumurra Rotary Club (29 May 2012).

Auditor-General's Financial Audit Reports to Parliament

[Volume Two 2012 focusing on Universities](#)

The audits of all ten universities' 2011 financial statements resulted in unmodified audit opinions. Eight of the universities' controlled entities received qualified audit opinions.

Auditor-General's Performance Audit Reports to Parliament

[Settling Humanitarian Entrants in NSW](#)

Australia accepts Humanitarian Program entrants (humanitarian entrants) as a part of its responsibility to help people who have been persecuted and are in need of resettlement. This audit examined how well NSW responds to the settlement needs of humanitarian entrants, focusing on those humanitarian entrants who applied for and were granted permanent residency to settle in Australia while living overseas.

[Physical Activity in Government Primary Schools](#)

The NSW Department of Education and Communities (DEC) requires its primary schools to provide two hours per week of planned physical activity. This audit examined how well DEC manages physical activity in NSW Government primary schools, in particular whether it complies with this requirement and implements better practices.

Public Accounts Committee (PAC)

[Report on the Follow-up of Repeat Recommendations from the Auditor-General's Financial Audits 2010](#)

The Public Accounts Committee followed up on the Auditor-General's repeat recommendations to the following agencies: Treasury, NSW Aboriginal Land Council, ANZAC Research Institute, Australian Museum, Department of Family and Community Services, RailCorp, Department of Transport, Department of Health, Health Support Services, Department of Finance and Services, Roads and Traffic Authority of New South Wales, and Department of Primary Industries.

New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- Management of Multicultural Servicing Strategy for the Delivery of Centrelink Services
- National Partnership Agreement on Literacy and Numeracy





- Interpretative Assistance for Self Managed Superannuation Funds
- Management of the National Solar Schools Program
- Administration of the Private Irrigation Infrastructure Operators Program in New South Wales
- The Child Support Programs Management of Feedback
- Development and Approval of Grant Program Guidelines
- Indigenous Early Childhood Development. New Directions: Mothers and Babies Services
- Presentation to the Australasian Council of Public Accounts Committees, Mid-term Meeting
- Upgrade of the M113 Fleet of Armoured Vehicles
- Management of ePassports

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

- Summary of our fraud survey results
- Summary of our fraud survey results for schools
- Statement of Intent 2012-15
- Summary of our fraud survey results for local government entities
- New Zealand Qualifications Authority: Assuring the consistency and quality of internal assessment for NCEA
- Summary of our fraud survey results for licensing and community trusts
- Institutional arrangements for training, registering, and appraising teachers

Queensland Audit Office ([QAO](#))

- Report No. 1 for 2012 – Improving student attendance
- Report No. 2 for 2012 - Results of audits - Local government financial statements for 2010–11
- Report No. 3 for 2012 - Results of audits - Education sector financial statements for 2011

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

- Payments to Visiting Medical Officers in Rural and Regional Hospitals (2011-12:29)
- Tertiary Education and Other Entities: Results of the 2011 Audits (2011-12:30)
- Management of Trust Funds in the Justice Portfolio (2011-12:31)
- Fraud Prevention Strategies in Local Government (2011-12:32)

- Science and Mathematics Participation Rates and Initiatives (2011-12:33)

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

- Supporting Aboriginal Students in Training
- Audit Results Report - Annual Assurance Audits completed since 31 October 2011 including universities and state training providers; and Across Government Benchmarking Audits: Accuracy of Leave Records, Act of Grace and Like Payments, and Supplier Master Files
- Victim Support Service: Providing assistance to victims of crime

Miscellaneous Resources

Group of 100

[The Centro Experience – A Wake Up Call For Directors](#)

The Group of 100 released this guide to assist directors in understanding their responsibilities in the wake of the Federal Court's decision in this case.

CPA Australia

[Top 10 Audit and Non-Audit Breaches by CPAs](#)

CPA Australia's Quality Review Program has revealed the most common ways members have been found to have breached the auditing standards, professional standards or legislative or regulatory requirements.

[Sustainability: CPA Australia commissions research](#)

The latest report coming out of a joint project between the University of Sydney and CPA Australia aimed at providing an understanding of ways for the accounting profession to manage environmental and social aspects of organisational performance.

[The NFP's guide to good financial management](#)

This updated guide will assist NFP entities in the implementation of sound financial management practices to ensure the social objectives of the organisation are met.

[Grants in Australia: Management and Accountability Made Easy for Not-for-Profit Organisations](#)

This manual covers the key aspects of grants management, including applying for and accepting a grant, financial management, reporting and acquittal, and audit and verification.





Institute of Chartered Accountants in Australia (ICAA)

The ICAA has issued new and updated papers in its [Business Briefing](#) series:

- 20 Issues on the Increasing Significance of Corporate Treasury
- 20 Issues on the Business Implications of a Carbon Cost (updated).

[Institute Federal Budget 2012–13 Report](#)

Following the 2012–13 Federal Budget on 8 May 2012, the ICAA published a special edition of its weekly tax bulletin prepared by Thomson Reuters which provides commentary on the 2012–13 budget.

Independent Pricing & Regulatory Tribunal (IPART)

IPART has released [new publications](#) relating to water, transport, local government and other Industries.

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