

Professional update

Accounting and auditing developments | June 2016

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This edition includes:

- Agency guidelines for the 2015-16 Mandatory Annual Returns to Treasury
- Simplifying Financial Reports

Hot Topics

Hot Topic 1: Agency guidelines for the 2015–16 Mandatory Annual Returns to Treasury

NSW Treasury has released [NSWTC 16/06 'Agency Guidelines for the 2015-16 Mandatory Annual Returns to Treasury'](#). This Circular details the requirements and year-end timetable for submitting Annual Returns to Treasury and financial statements to the Audit Office. This Circular applies to all NSW public sector agencies including State Owned Corporations that are required to submit TOES returns.

This Circular is issued as a Direction in accordance with section 9 and 45E of the *Public Finance and Audit Act 1983* (PF&A Act) and withdraws and supersedes Treasury Circular NSW TC15/11.

The Circular mandates several new information requirements for agencies:

- lodging nil returns for Appendix B Revisions to 2015-06 TOES Data for Changes in Financial Statements and Note Disclosures
- a Preliminary Annual Return as well as a Final Annual Return
- a new *Public Authorities (Financial Arrangements) Act 1987* (PAFA Act) Return
- the management letter issued by the Audit Office
- the Financial Statement Variance Analysis template
- the Preliminary vs Final TOES Submission template.

NSW Treasury information requirements and key dates are summarised in the table below.

Information Requirement	Timing
Crown Data Return to the Crown Entity	15 July 2016
Annual financial statements to the Audit Office (including supporting workpapers) Annual financial statements and TOES return as at 30 June 2016 to Treasury	25 July 2016
Supplementary Return to Treasury	27 July 2016
Preliminary Annual Return to Treasury (including the 2015–16 financial statements prepared for audit)	27 July 2016
PAFA Act Return to Treasury	27 July 2016
The Crown Entity provides its preliminary Annual Return to Treasury and annual financial statements to the Audit Office	1 August 2016
Final Annual Returns to Treasury, consisting of: <ul style="list-style-type: none"> • audited financial statements • Independent Auditor's Report (IAR) • Client Service Report (CSR) • Management Letter issued by the Audit Office 	Within one day of receiving the signed IAR
The Final TOES Data Return for Period 13, reconciliation between the preliminary and final TOES return and the Final Annual Return Checklist	No later than three days after the later of receipt of the IAR and the opening of TOES for period 13 submissions



Agencies should read and familiarise themselves with the Circular's requirements to ensure Returns are submitted in accordance with the year-end timetable.

Hot Topic 2: Simplifying financial reports

The Post-Global Financial Crisis world saw a demand for more transparency and more information presented in a more timely way. However, as the amount of information in financial reports grew, so did the demand for simplification and reduced complexity. The call for de-cluttered financial reports has been embraced in Australia with both the Australian Securities and Investments Commission (ASIC) and the Australian Accounting Standards Board (AASB) publicly supporting efforts to improve the clarity of financial reports.

The AASB and the International Accounting Standards Board (IASB) have launched the Disclosure Initiative project. Removing clutter from financial reports aims to provide to users concise, clear and informative financial information that is specific to the entity. This broad-based project includes:

- amendment of accounting standards, including AASB 101 Presentation of Financial Statements
- research projects
- outreach
- education.

The AASB supports the trend towards simplification and encourages directors and CFOs to address disclosure overload in financial reports. A well-managed simplification process with appropriate oversight and technical input will help ensure a quality finished product with effective disclosures that remains compliant with Accounting Standards and regulatory requirements.

Tips for organisations contemplating their own review of financial reporting include:

- engage key stakeholders, project sponsors and auditors from the outset
- start early, so your organisation has the time, space and resources to get it right the first time
- the 'big bang' is preferable to the progressive approach
- learn from the experience of comparable organisations, but the information presented must be useful for the decisions of your own stakeholders
- identify and remove immaterial and irrelevant disclosures that have built up over time



- re-order and re-label accounting policies and detailed notes to better focus attention on financial measures, critical accounting judgements, estimates and areas of most relevance
- re-write technical wording into Plain English.

NSW Treasury is supportive of decluttering the financial statements of NSW agencies. [TPP 15-04 Financial Reporting Code for NSW General Government Sector Entities](#) (the Code) allows agencies to present relevant accounting policies within the related disclosure note instead of at note 1. Further reforms are expected in future revisions of the Code.

Reducing complexity and increasing disclosure effectiveness requires an initial investment of time by the finance team and others involved in the financial report preparation process. But the effort should result in a financial reporting process that is simpler and less costly.

More information about the AASB project can be found at [this link](#).

Audit Office of New South Wales

Margaret Crawford, NSW Auditor-General, presented at:

- Australia and New Zealand School of Government (ANZOG) Women in Leadership: Achieving and flourishing (5 April 2016)
- Australian School of Applied Management: Building resilience and embracing challenges (5 May 2016).

Auditor-General's Financial Audit Reports to Parliament

- [Volume Two 2016 focusing on Universities \(2 June 2016\)](#).

Auditor-General's Performance Audit Reports to Parliament

- [Early childhood education \(26 May 2016\)](#).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

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

- International Edition (20-16) (19 May 2016)
- International Edition (21-16) (26 May 2016)
- International Edition (22-16) (2 June 2016)
- Agenda and Board Papers for AASB meeting, 21 to 22 June 2016 (8 June 2016)



- International Edition (23-16) (9 June 2016)
- New AASB subscription service (16 June 2016)
- International Edition (24-16) (16 June 2016).

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 17 to 19 May 2016](#)

Topics discussed included:

- 2015 Agenda Consultation
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- IFRS 2 Share-Based Payment
- Financial Instruments with Characteristics of Equity
- Income Taxes
- Conceptual Framework
- Disclosure Initiative
- Equity Method of Accounting
- Goodwill and Impairment
- Revenue from Contracts with Customers.

[IASB Podcasts](#)

Recent podcasts released by the IASB:

- May 2016 IASB meeting.

International Update – Interpretations Committee

[IFRIC Meeting Highlights – 10 May 2016](#)

The Committee discussed the following topics:

- Items on the current agenda:
 - IFRS 9 Financial Instruments and IAS 28 Investments in Associates and Joint Ventures – Measurement of long-term interests
 - IAS 12 Income Taxes – Expected manner of recovering indefinite life intangible assets when measuring deferred tax
 - IAS 21 The Effects of Changes in Foreign Exchange Rates – Foreign currency transactions and Advance Considerations
- Deliberation of comments received on proposed narrow-scope amendments:
 - IAS 40 Investment Property – Exposure Draft of proposed amendments to IAS 40 Transfers of Investment Property

- Interpretation Committee's tentative agenda decisions:
 - IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement – Fees and costs included in the '10 per cent' test for the purpose of derecognition
 - IAS 32 Financial Instruments: Presentation – Accounting for a written put option over non-controlling interests to be settled by a variable number of the parent's shares
 - IFRIC 12 Service Concession Arrangements – Accounting for service concession arrangements for which the infrastructure is leased
- Interpretation Committee's agenda decisions:
 - IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement – Derecognition of modified financial assets
 - IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – Accounting for repayable cash receipts
 - IAS 36 Impairment of Assets – Recoverable amount and carrying amount of a cash-generating unit.

International Update – International Valuation Standards Council (IVSC)

The IVSC has [released](#) the following Exposure Drafts for comment with a deadline of 31 August 2016:

- IVS 101 Scope of Work, IVS 102 Investigation and Compliance and IVS 103 Reporting
- IVS 200 Business and Business Interests
- IVS 300 Plant and Equipment
- IVS 400 Real Property Interests
- IVS 500 Financial Instruments.

International Update – International Federation of Accountants (IFAC)

IFAC recently [hosted](#):

- Representatives From Over 30 Countries Discuss Public Financial Management for Economic Prosperity in Asia at CAPA and World Bank Forum (18 May 2016).





Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB Meeting Highlights – 14 June 2016](#)

Topics discussed included:

- Auditor Reporting – Special Purpose Reports and Single Element Reports
- Auditor Reporting Project
- CPA Presentation – Assurance on the Integrated Report – Insights from Development of the Framework, Practical Implication and Research Findings
- ASAE 3100 Compliance Engagements.

AUASB has recently released:

- [Exposure Draft 01/16 Proposed Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks](#)
- [Exposure Draft 02/16 Proposed Auditing Standard ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.](#)

Comments are requested by 18 July 2016.

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

Latest news from the [IAASB](#):

- The IASB's Work to Enhance Audit Quality (18 May 2016)
- IAASB Welcomes US PCAOB's Efforts to Enhance the Auditor's Report (23 May 2016).

IAASB has recently released:

- [The New Auditor's Report](#): A Comparison between the ISAs and the PCAOB Reproposal (23 May 2016).

Ethics Update

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

[Latest news from the APESB](#):

- New board appointment heralds new era for APESB (23 May 2016).

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

[Latest news from IESBA](#):

- IESBA Releases 2015 Annual Report, Elevating Global Ethics (27 May 2016).

Treasury – NSW Government

The Treasury has recently issued:

- [IC 16-06](#) Agency Guidelines for the 2015–16 Mandatory Annual Returns to Treasury (31 May 2016).

Department of Premier and Cabinet

New Ministerial Memoranda issued:

- [M2016-02](#) Transfer of Government Sector services or functions to the Non-Government Sector (17 June 2016).

Public Service Commission (PSC)

The PSC has released the following circulars:

- [PSCC-2016-03](#) NAIDOC Week 2016 (18 May 2016)
- [PSCC-2016-04](#) 2016 Premiers Award for Public Service (30 May 2016).

Department of Finance, Services and Innovation

The DFSI has released the following circular:

- [DFSI-2016-02](#) NSW Government Operational Communications Strategy (3 June 2016).

NSW Procurement Board

[NSW Procurement Board has recently issued](#):

- Major Suppliers' Portal expanded (27 May 2016)
- Refresh of Procure IT Framework v3.1 – comments invited (30 May 2016)
- Changes to Contract 607 ICT software agreement (10 June 2016).





Public Accounts Committee

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

- Review of the Public Interest Disclosures Act 1994 (1 June 2016)
- Review of the Inspector's Report to the Premier: The Inspector's Review of the ICAC (1 June 2016)
- Access to Transport for Seniors and Disadvantaged People in Rural and Regional NSW (2 June 2016)
- Workplace Arrangements in the Point to Point Transport Industry (9 June 2016).

Australian Securities and Investments Commission (ASIC)

Recent [consultation papers](#) released included:

- CP 260 Further measures to facilitate innovation in financial services.

Recent [reports](#) released included:

- REP 478 Overview of licensing and professional registration applications: July to December 2015.

Recent [speeches](#) released:

- Why culture matters (24 May 2016)
- ASIC's focus on culture – digging into the detail (25 May 2016)
- Building trust and confidence: ASIC priorities (2 June 2016)
- Directors' duties and culture (19 June 2016)
- Tone from the top: Influencing conduct and culture (21 June 2016).

ASIC [Media Releases included](#):

- 16-174MR ASIC calls on directors to apply realism and clarity to financial reports (2 June 2016).

Australian Prudential Regulation Authority (APRA)

Recent [APRA releases](#) included:

- APRA releases superannuation statistics for March 2016 (24 May 2016).

New Publications by Other Audit Offices

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

- Immigration New Zealand: Supporting new migrants to settle and work (June 2016)
- Education for Maori: Using information to improve Maori educational success (June 2016)
- District health boards' response to asset management requirements since 2009 (June 2016)
- Crown Fibre Holdings Limited: Managing the first phase of rolling out ultra-fast broadband (June 2016)
- Home-based support services for older people: Follow-up audit (June 2016)
- Collecting and using information about suicide (June 2016).

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

- ACT Policing Arrangement (26 May 2016)
- The management of the financial arrangements for the delivery of the Loose-Fill Asbestos (Mr Fluffy) Insulation Eradication Scheme (27 May 2016)
- Initiation of the Light Rail Project (16 June 2016).

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

- Report 17: Results of audit: local government entities 2014–15 (24 May 2016)
- Report 18: Results of audit: education sector entities 2015 (24 May 2016)
- Report 19: Early childhood education (7 June 2016).

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

- Accounting & Auditing Developments newsletter – May 2016 (30 May 2016)
- Report of the Auditor-General No.11 of 2015–16: Compliance with legislation (21 June 2016).

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

- Monitoring Victoria's Water Resources (25 May 2016)
- Reducing the Burden of Red Tape (25 May 2016)
- Technical and Further Education Institutes: 2015 Audit Snapshot (26 May 2016)
- Universities: 2015 Audit Snapshot (26 May 2016)
- Follow up of Recreational Maritime Safety (8 June 2016)
- Follow up of Asset Confiscation Scheme (8 June 2016)
- Follow up of Residential Care Services for Children (8 June 2016).





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

- Delivering Services Online (25 May 2016)
- Opinions on Ministerial Notifications (8 June 2016)
- Payment of Construction Subcontractors – Perth Children’s Hospital (8 June 2016).

Useful Resources

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

- Video: Enterprise Risk Management – Aligning Risk with Strategy and Performance (14 June 2016)
- ERM Framework Update Exposure Period Now Open (14 June 2016).

Department of Justice NSW

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

- Budget delivers big on cultural infrastructure (21 June 2016)
- Record investment in justice in NSW Budget (21 June 2016).

Independent Commission Against Corruption (ICAC)

- Public inquiry into allegations concerning former City of Botany Bay Council CFO resumes tomorrow (2 June 2016).

Productivity Commission

The Productivity Commission’s [recent media releases](#) included:

- Placing users at the heart of service delivery (16 June 2016).

The Productivity Commission’s recent research:

- [Digital Disruption](#): What do governments need to do? (15 June 2016).

Independent Pricing & Regulatory Tribunal (IPART)

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

- Fact Sheet and information paper – Hunter Water operating license – Issues Paper (31 May 2016)
- Fact Sheet – Metering and consent transaction charges for WAMC (7 June 2016)
- Fact Sheet – Prices for the Water Administration Ministerial Corporation from 1 July 2016 (7 June 2016)
- Fact Sheet – Review of WAMC’s water management prices – Final Report and prices (7 June 2016)
- Fact Sheet – Unregulated pricing agreements – Sydney Water and Hunter Water price reviews (14 June 2016)

- Fact Sheet – WaterNSW – Greater Sydney price review (14 June 2016)
- Fact Sheet – Hunter Water price review – non-residential customers (14 June 2016)
- Fact Sheet – Hunter Water price review – residential customers (14 June 2016)
- Fact Sheet – Sydney Water price review – non-residential customers (14 June 2016)
- Fact Sheet – Sydney Water price review – residential customers (14 June 2016)

Australian Competition & Consumer Commission (ACCC)

[ACCC media releases](#) included:

- ACCC issues final decision on WaterNSW’s 2016–17 changes in the Murray-Darling basin (19 May 2016).

Australian Institute of Company Directors (AICD)

[AICD media releases](#) included:

- Company Directors call for AGM overhaul (20 June 2016).





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