

Professional update

Accounting and auditing developments | June | 2017

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This edition includes:

- Agency guidelines for the 2016–17 Mandatory Annual Returns to Treasury
- ASIC announces focus areas for 30 June 2017 financial reports
- New guidelines issued for Audit and Risk Committees
- Local Government Code of Accounting Practice and Financial Reporting released

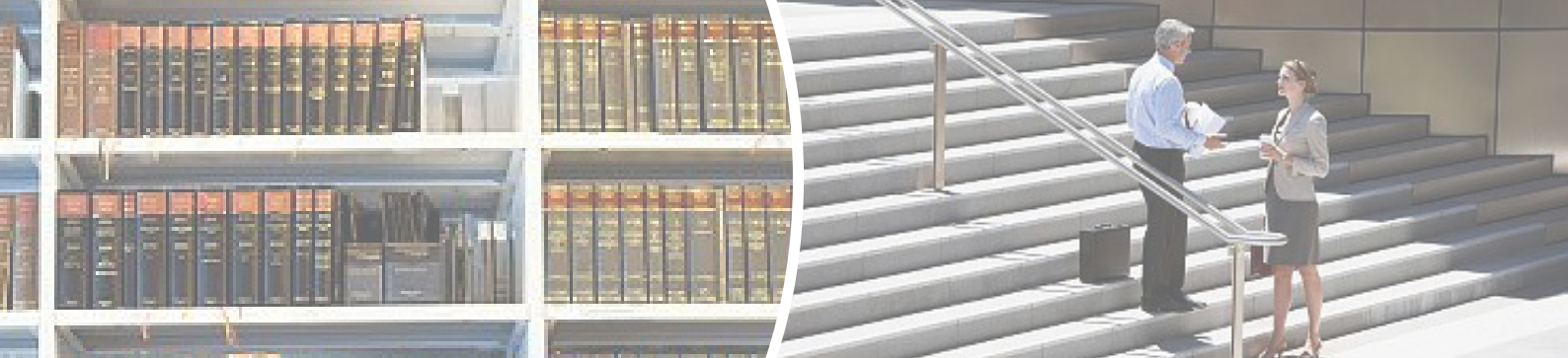
Hot Topics

Agency guidelines for the 2016–17 Mandatory Annual Returns to Treasury

NSW Treasury has released [TC 17/06 'Agency Guidelines for the 2016-17 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 TC16/06.

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

Information Requirements	2017
Crown Data Return to Crown Entity	14 July
TOES Return consistent with the 2016-17 draft financial statements to Treasury	19 July
Annual financial statements to the Audit Office (including supporting work-papers) Annual financial statements and updated TOES Data Return for any changes since 19 July to Treasury	24 July
Preliminary Annual Return (Appendix F(i)), and completed Supplementary Return to Treasury	24 July
Accounting Issues Resolution Papers to Treasury	24 July
The Crown Entity provides its preliminary Annual Return to Treasury and annual financial statements to the Audit Office	1 August
Final Annual Returns to Treasury, consisting of: audited financial statements, Independent Auditor's Report (IAR) and Client Service Report (CSR)	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 to Treasury	No later than three days after the later of receipt of the IAR and the opening of TOES for period 13 submissions
Management Letter issued by the Audit Office to Treasury	Within one day of receipt



ASIC announces focus areas for 30 June 2017 financial reports

The Australian Securities and Investment Commission (ASIC) has announced the focus areas for its Financial Reporting Surveillance Program for 30 June 2017 financial reports and called on preparers to focus on giving users of financial reports useful and meaningful information in a recent [media release](#).

ASIC Commissioner John Price, said 'as with previous reporting periods, directors and auditors should focus on values of assets and accounting policy choices. ASIC continues to see companies use unrealistic assumptions in testing the value of assets or apply inappropriate approaches in areas such as revenue recognition'.

Although the ASIC surveillance program is targeted at ASX listed entities and other entities with multiple stakeholders, the focus areas are common sources of judgement and error and are also relevant to entities in the public sector, notably:

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

New guidelines issued for Audit and Risk Committees

NSW Treasury recently issued guidelines to help Audit and Risk Committees (ARCs) provide effective oversight of agencies. These guidelines cover review of an agency's annual financial statements and compliance management system.

One of the fundamental responsibilities of the ARC is to oversee an agency's financial information, including its annual financial statements. The [Guide for Audit & Risk Committees: Understanding Financial Statements](#) helps the ARC fulfil this responsibility by providing guidance on:

- composition of the financial statements
- the process supporting preparation of the annual financial statements
- the ARC's role in reviewing the robustness of early close procedures
- factors to consider when reviewing the annual financial statements



- commonly used accounting terms.

The [Guide for Audit & Risk Committees: Compliance Management](#) helps ARCs fulfil their responsibilities for compliance management by:

- outlining the agency's compliance obligations
- listing common elements of an effective compliance management system
- providing a checklist to test the integrity of an agency's compliance management system.

Local Government Code of Accounting Practice and Financial Reporting released

The Office of Local Government (OLG) recently issued [Circular 17-10 'Final Code of Accounting Practice and Financial Reporting'](#) advising councils of the release of the final Local Government Code of Accounting Practice and Financial Reporting (Update 25) (the Code).

The Code prescribes the format of councils' 2016-17 financial statements and must be used by councils in preparing their annual financial statements in accordance with the *Local Government Act 1993* and the *Local Government (General) Regulation 2005*. The Code:

- establishes a framework for preparing and reporting estimates of income and expenditure
- provides guidance on the application of accounting standards and various legislative requirements
- specifies the accounting records and practices councils must follow to ensure adequate systems or internal controls are in place to manage their resources
- specifies the matters an auditor must consider and provide comment on when conducting audits.

The Code consists of five parts:

- [General purpose financial statements](#)
- [Special purpose financial statements](#)
- [Special schedules](#)
- [Appendices](#)
- [Supplement](#) (new councils only).

Code Update 25 replaces the previous version of the Code (Update 24). A [Summary](#) of the changes from Code Update 24 is available on the OLG website.



Audit Office of New South Wales

Margaret Crawford, NSW Auditor-General attended the following events:

- 26 May – IPAA CEO and Young Professionals Breakfast
- 31 May – IPAA Forum, 'On the Couch with Tim Reardon'
- 15 June – IPAA Forum State Conference.

Auditor-General's Financial Audit Reports to Parliament

- [Universities: 2016 Audits](#) (6 June 2017).

Auditor-General's Performance Audit Reports to Parliament

- [Medical equipment management in NSW public hospitals](#) (25 May 2017)
- [NorthConnex](#) (8 June 2017)
- [Sydney roads maintenance contracts](#) (15 June 2017).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

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

- FRC appoints board member to the AASB (25 May 2017)
- Improving not-for-profit financial reporting (25 May 2017)
- Webinar: AASB 1056 Superannuation Entities (30 May 2017)
- AASB Advisory Panels - Opportunities for academics to contribute to development of accounting standards (1 June 2017)
- Webinar: AASB Guidance on the Voluntary Tax Transparency Code (7 June 2017).

AASB has recently [issued](#):

- Invitation to Comment – ITC 36 Request for Comment on IASB Request for Information on Post-Implementation Review – IFRS 13 Fair Value Measurement – June 2017: Open for comment until 31 August 2017.

International Update – International Accounting Standards Board (IASB)

[IASB Podcasts](#)

Recent podcasts released by IASB include:

- [April 2017](#)
- [May 2017](#)

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

- International Accounting Standards Board issues Interpretation on IAS 12 Income Taxes (7 June 2017)
- The summary of tentative decisions on the Conceptual Framework for Financial Reporting is now available (12 June 2017)
- Primary Financial Statements – June and July 2017 meeting information (19 June 2017).

International Update – International Federation of Accountants (IFAC)

Recent [news](#) by IFAC included:

- Technology Trends Impacting the Finance Function and the Profession – An Overview (17 May 2017)
- Developing a Future-Ready Profession for Accountants in Business (25 May 2017)
- IAESB issued Exposure Draft: Proposed International Education Standard 7, Continuing Professional Development (Revised) (5 June 2017)
- Building a Strong, Transparent Global Economy to Inspire Confidence (15 June 2017).

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB Meeting Highlights – 30 May 2017](#)

Topics discussed included:

- ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report & ASA 2017-2 Amendments to Australian Auditing Standards
- Auditor Reporting
- ISA 540 Auditing Accounting Estimates and Related Disclosures.





Ethics Update

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

[APESB Meeting Highlights – 19 May 2017](#)

- Revision of APES 110 for NOCLAR and NAS provisions
- Proposed ED: APES GN 31 Due Diligence Sign-offs in Low Doc Scenarios
- Project Update: Long Association
- Proposed revised standard: APES 310 Client Monies
- Annual & six-monthly reviews of APESB pronouncements
- International and other activities.

The Treasury - NSW Government

New Treasury Policy Papers, Circulars and Research Papers

Treasury has recently issued the following circulars:

- [NSWTC 17-05](#) Industrial Relations – Notional Salary 2017-18 (2 June 2017)
- [NSWTC 17-06](#) Agency guidelines for the 2016-17 Mandatory Annual Returns to Treasury (23 June 2017).

Treasury has recently [published](#):

- Guide for Audit and Risk Committees: Understanding Financial Statements (1 June 2017)
- Guide for Audit and Risk Committees: Compliance Management (1 June 2017)
- Weekly Economic Calendar (19 June 2017)
- Weekly Market Wrap (19 June 2017)
- General Government Financial Statements – 30 April 2017 (20 June 2017).

Department of Premier and Cabinet

New Ministerial Memoranda and Department Circulars

DPC released the following circular:

- [C2017-02](#) – Inviting Nominations for the Public Service Medal (1 June 2017).

Public Service Commission (PSC)

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

- NAIDOC Week 2017 (23 May 2017)
- People Matter Employee Survey (31 May 2017).

NSW Procurement Board

Frameworks and Directions

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

- Award of Contract 0011 Criminal record checks (31 May 2017)
- Extension of Contract 607 ICT software agreement Oracle (1 June 2017).

Office of Local Government

Recent [publications](#) released:

- 17-10 Final Code of Accounting Practice and Financial Reporting (7 June 2017)
- 17-11 Council decision-making prior to the September 2017 local government elections (14 June 2017)
- 17-12 “Electoral matter” and use of council resources prior to local government elections (14 June 2017)
- 17-13 Preparation of non-residential rolls (14 June 2017)
- 17-14 Elections for councils affected by merger proposals on 9 September 2017 (15 June 2017)
- 17-15 Release of Discussion Paper – Review of Companion Animals Regulation 2008 (19 June 2017).

Australian Securities and Investments Commission (ASIC)

Recent [reports](#) released:

- REP 528 Responsible entities' compliance with obligations: Findings from 2016 proactive surveillance program (13 June 2017).

Recent [information sheets](#) released included:

- INFO 221 Internal audit (20 June 2017).

Recent [speeches](#) released:

- The importance of trust in a digital world (25 May 2017)
- Reflections on Leadership (30 May 2017)





- Senate Economics Committee – ASIC Chairman Opening Statement (31 May 2017)
- ASIC regulatory update 2017 (1 June 2017)
- Role of securitisation in funding economic activity and growth (5 June 2017)
- A better toolkit for ASIC (6 June 2017)
- The role of securitisation in funding economic activity and growth (7 June 2017)
- Parliamentary Joint Committee – Corporations and Financial Services – ASIC Chairman Opening Statement (16 June 2017)
- The importance of corporate culture (15 June 2017)
- Regulatory developments in asset management (20 June 2017).

ASIC [Media Releases](#):

- 17-162MR ASIC calls on preparers to focus on the quality of financial report information (31 May 2017)
- 17-179MR ASIC extends deadline for transitional relief for charitable investment fundraisers (9 June 2017)
- 17-186MR ASIC welcomes the dawn of a new regulatory era (15 June 2017).

Australasian Council of Auditors-General (ACAG) Submissions to AASB

ACAG recently made a submission on:

- ED 277 Reduced Disclosure Requirements for Tier 2 Entities (26 May 2017).

New Publications by Other Audit Offices

Australian National Audit Office ([ANAO](#))

- Indigenous Aged Care (31 May 2017)
- Corporate Planning in the Australian Public Sector (1 June 2017)
- ANAO Briefings to Parliamentarians of the 45th Parliament (5 June 2017)
- Effectiveness of the Governance of the Northern Land Council (20 June 2017).

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

- Ministry of Social Development: How it deals with complaints (May 2017)

- Mental health: Effectiveness of the planning to discharge people from hospital (25 May 2017)
- Managing the assets that distribute electricity (13 June 2017).

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

- Performance information in ACT public schools (31 May 2017)
- Maintenance of Selected Road Infrastructure Assets (9 June 2017).

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

- Government advertising (Report 16: 2016-17) (30 May 2017)
- Organisational structure and accountability (Report 17: 2016-17) (31 May 2017).

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

- Technical and Further Education Institutes: 2016 Audit Snapshot (2016-17:25) (7 June 2017)
- Universities: 2016 Audit Snapshot (2016-17:26) (7 June 2017)
- Effectiveness of the Victorian Public Sector Commission (2016-17: 27) (8 June 2017).

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

- Management of Medical Equipment (Report 8) (25 May 2017)
- Opinion on Ministerial Notification (Report 9) (8 June 2017).

Useful Resources

Commonwealth Government Treasury

Recent [media releases](#):

- Budget Estimates Hearings – Opening Statement – 29 May 2017 (29 May 2017)
- Statement on Budget lock-up (29 May 2017).

Independent Pricing & Regulatory Tribunal (IPART)

IPART's [information/fact sheets](#) included:

- Media Release – Special rate variation application received from Mid-Coast – June 2017 (1 June 2017)
- NSW Electricity Transmission Reliability and Performance Standard 2017 (6 June 2017)
- Media Release – Proposed compliance framework for electricity transmission reliability standards – 6 June 2017 (6 June 2017)





- Fact Sheet – Decisions on councils' applications for Crown land adjustments for 2017-18 – June 2017 (8 June 2017)
- Final Report – WaterNSW – Review of prices for rural bulk water services from 1 July 2016 - June 2017 (13 June 2017)
- Consultant Supplementary Report by Aither – WaterNSW Expenditure Review (13 June 2017)
- Ministerially imposed licence conditions – Endeavour Energy to operate a distribution system – June 2017 (15 June 2017)
- IPART Submission to Independent Review of NSW Regulatory Policy Framework Draft Report – 14 June 2017 (16 June 2017)
- NSW Government Response (16 June 2017).

Australian Competition & Consumer Commission (ACCC)

ACCC [media release](#):

- ACCC releases electricity inquiry issues paper (31 May 2017).

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