

Professional update

Accounting and auditing developments | March 2017

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This edition includes:

- NSW Gateway Policy
- Auditors-General respond to the AASB's Fatal Flaw Review of AASB 10XY 'Service Concession Arrangements: Grantors'
- Enhanced Auditor Reporting FAQs
- Treasury Mandates and the Financial Reporting Code

Hot Topics

NSW Gateway Policy

NSW Treasury recently released [TPP17-01 'NSW Gateway Policy'](#). The policy and guidelines paper provides a framework aimed at ensuring the State's programs and projects are effectively developed and delivered on time, on budget and in accordance with Government objectives. The policy applies to all general government agencies and government businesses. State owned corporations must comply to the extent required under the Commercial Policy Framework.

Previous gateway reviews primarily for capital projects were based on financial thresholds. The new policy:

- adopts a risk based approach to determine when, and at what decision points, gateway reviews should occur
- applies the gateway process to all significant government investment/spending decisions (i.e. capital and recurrent spends)
- sets minimum requirements for risk based review frameworks
- specifies Gateway Coordination Agencies (GCAs) responsible for the design and administration of the frameworks, coordinating reviews and reporting on performance
- nominates Infrastructure NSW as the GCA for capital investments, the Department of Finance Services and Innovation as the GCA for Information and Communication Technology investments and Treasury as the GCA for major recurrent investments
- clarifies roles and responsibilities of the policy owner, GCAs and delivery agencies.

The policy has three parts:

Part A - provides an overview of the policy and outlines its objectives, purpose and applicability. It outlines the role of Gateway in delivering value for money to NSW taxpayers through independent peer reviews at key decision points in a project's lifecycle.

Part B - establishes the principles of Gateway such as:

- management of risks
- value for the investor and delivery agency
- independence and confidentiality
- transparency and accountability
- continuous improvement.

Part C - establishes core requirements for GCAs, delivery agencies and the policy owner.

The policy has attachments with details to help GCAs and delivery agencies comply with the policy.



Auditors-General respond to the AASB's Fatal Flaw Review of AASB 10XY 'Service Concession Arrangements: Grantors'

The Australian Council of Auditors-General (ACAG) recently responded to the ['Exposure Draft – Fatal Flaw Draft – Service Concession Arrangements: Grantors \(AASB 10XY\)'](#).

ACAG found fatal flaws in the proposed standard for Service Concession Arrangements: Grantors (AASB 10XY).

The proposed standard requires grantors to recognise service concession assets if they:

- control or regulate the services the operator must provide with the assets to whom they must provide the services and at what price, and
- control either a significant residual interest in the asset at the end of the arrangement, or control the asset for the whole of the life of the arrangement.

The application guidance extends the scope of price control beyond the power of the grantor and indicates the grantor is presumed to control the price when a third-party regulator sets the price the operator can charge the public. ACAG does not believe that because the operator is unable to determine the price for services, the grantor controls the price.

ACAG also identified additional areas that require clarification, or would benefit from additional guidance to ensure consistent interpretation and implementation.

The comment period for this review closed on 14 March 2017. All submissions, including ACAG's submission, can be reviewed on the AASB website ['Work in progress – pending'](#).

Enhanced Auditor Reporting FAQs

The Auditing and Assurance Standards Board has compiled a list of frequently asked questions ([Auditor Reporting FAQs](#)) to help auditors, directors, audit committee members, chief financial officers and other stakeholders understand enhanced auditor reporting requirements.

The enhanced auditor reporting requirements in [ASA 701 'Communicating Key Audit Matters in the Independent Auditor's Report'](#) will apply to audits of financial reports ending on or after 15 December 2016.

ASA 701 prescribes the form and content of key audit matters (KAMs). KAMs are 'those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. Key audit matters

are selected from matters communicated with those charged with governance'. KAMs are mandated for listed entities but optional for all other entities.

In determining which KAMs to report in the Independent Auditor's Report, the auditor will consider:

- significant risks identified
- significant management judgements such as accounting estimates with high estimation uncertainty
- the effect of significant events of transactions on the audit.

Treasury Mandates and the Financial Reporting Code

NSW Treasury has released:

- [NSW TC 17/04](#) 'Mandates of options and major policy decisions under Australian Accounting Standards' (the circular) which mandates the options agencies must use when Accounting Standards allow certain accounting policy choices
- [TPP 17-05](#) 'Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities' (the code) which provides illustrative guidance on the form and content of the financial statements, including note disclosures.

NSW TC 17/04 and TPP 17-05 supersede and withdraw NSW TC 16/02 and TPP 15-04.

For financial years ending on or after 30 June 2017:

- the circular applies to all entities that must prepare general purpose financial statements under the Public Finance and Audit Act 1983 (PF&A Act), including Statutory State Owned Corporations
- the code applies to NSW General Government Sector entities except for special purpose staff entities, which are exempt under NSW TC 15/07.

The code and circular have been significantly redrafted to reflect a move from a prescribed format to a model format. Agencies now have greater flexibility to tailor their financial statements and make them more meaningful and relevant to users. Treasury directives previously included in the code are now included in the circular.

Changes to the code include:

- a new related parties note to reflect the extended scope of AASB 124 'Related Parties' to not-for-profit public sector entities, which must now disclose information about related parties in their financial statements, including:





- key management personnel compensation
- the nature of related party relationships
- the amount and nature of related party transactions, outstanding balances and commitments
- moving supplementary financial statements to the notes and reducing duplication
- disclosing Capital and Recurrent Appropriations as one line item in the financial statements because they have been combined in the Appropriations Act and shown together in the 2016/17 State Budget papers.

Agencies must continue to comply with Accounting Standards and the circular. The circular lists Standards issued but not yet effective and confirms that Accounting Standards cannot be early adopted. Because the code is no longer mandatory, agencies are not required to reference the code in the basis of preparation note.

Audit Office of New South Wales

Margaret Crawford, NSW Auditor-General:

- attended the CEDA 2017 New South Wales Economic and Political Overview (3 March 2017)
- presented at IPAA's - International Women's Day celebrations (7 March 2017)
- presented at CPA Australia - International Women's Day - Keynote Speaker - 'Celebrating Women's Achievements in Business and Leadership' (9 March 2017)
- presented at the Local Government Professionals – Governance (14 March 2017)
- attended a CEDA event - Women in Leadership: Untapped potential (17 March 2017).

Auditor-General's Financial Audit Reports to Parliament

- [Members' Additional Entitlements 2016 \(21 March 2017\)](#).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

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

- AASB Research Forum 2017: Save the Date – the AASB is calling for Expressions of Interest (2 March 2017).

AASB has recently issued:

- [2017-1](#) Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments (February 2017)
- [2017-2](#) Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle (February 2017).

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 22-23 February 2017](#)

Topics discussed:

- Insurance Contracts
- Financial Instruments with Characteristics of Equity
- Symmetric Prepayment Options
- Post-implementation review of IFRS 13 Fair Value Measurement
- Definition of a Business
- Research Programme
- Rate-regulated Activities
- The Conceptual Framework for Financial Reporting
- Modifications and exchanges of financial liabilities
- IFRS Implementation Issues - IFRS 9 Impairment.

IASB Podcasts

Recent podcasts released by IASB include:

- February 2017.

International Update – International Financial Reporting Standards (IFRS) Foundation

Latest [news](#) from the IFRS Foundation included:

- IFRS Foundation Trustees announce reappointment of four IASB members (21 February 2017)
- Summary of the January/February 2017 Trustee and Due Process Oversight Committee meeting (27 February 2017)
- February 2017 IASB Update published and the Work Plan updated (27 February 2017)
- February 2017 podcast: IASB Chair and Vice-Chair discuss latest decisions (28 February 2017)
- The IFRS Foundation publishes the IFRS Taxonomy 2017 (9 March 2017)





- Chairman's speech: Trust, accountants and the economy (7 March 2017)
- 2017 IFRS Standards (Red Book) - now available (14 March 2017).

International Update – International Federation of Accountants (IFAC)

Recent [news](#) by IFAC included:

- Accountants Offer Crucial Help in Reducing Global Corruption (23 February 2017).

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

Recent [news](#) by IPSASB included:

- Global Organizations Convene to Strengthen Public Financial Management (6 March 2017)
- IPSASB March 2017 Meeting Highlights Podcast (10 March 2017).

[IPSASB Meeting Highlights – 7 to 10 March 2017](#)

The Board discussed the following:

- Overview of 6 March Seminar, '[Transparency and Beyond: Harnessing the Power of Accrual in Managing Public Finances](#)'
- Heritage financial reporting
- Revenue and Non-exchange Expenses
- Social Benefits
- Strategy and Work Plan.

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB Meeting Highlights – 1 March 2017](#)

Topics discussed included:

- Auditor Reporting Implementation
- GS 001 Concise Financial Reports
- Revision of Audit Committees – A Guide to Good Practice, 3rd edition
- International Update
- ASAE 3500 Performance Engagements
- Other Business.

The AUASB recently released:

- Standard on Assurance Engagements [ASAE 3100](#) Compliance Engagements (February 2017).

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

IAASB Meeting Highlights – 13-17 March 2017

- ISA 540
- IESBA Coordination
- ISA 315
- Professional Skepticism
- Quality Control – EQCR
- SMP/SME Audits
- Data Analytics.

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

- IAASB Work Plan for 2017-2018: Enhancing Audit Quality (22 February 2017).

Ethics Update

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

Latest [news](#) from the APESB:

- APESB issues revised APES 315 Compilation of Financial Information (15 March 2017).

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

The IESBA recently [released](#):

- IESBA eNews: December Meeting Highlights; Restructuring the Code (16 February 2017)
- IESBA March 2017 Meeting Highlights Podcast (15 March 2017).

[IESBA Meeting Highlights – 13 to 15 March 2017](#)

- Overview from IESBA Chairman
- Professional Skepticism
- Part C of the IESBA Code
- Fees Working Group Update
- Proposed Staff-Prepared Q&As on Long Association.





The Treasury – NSW Government

Treasury has recently issued the following policy papers:

- [TPP 17-03](#) NSW Government Guide to Cost-Benefit Analysis (March 2017)
- [TPP 17-04](#) Requirements for Issuing Managing and Reporting Instruments of Assurance (March 2017).

NSW Procurement Board

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

- Extension of contract 1001622-52 Facilities Management (Cleaning and Maintenance) (2 March 2017)
- Staples: Supplier Communication (21 March 2017)
- NSW Gateway Policy Effective Now (22 March 2017).

Public Accounts Committee (PAC)

Recent [inquiries](#)

- Inquiry into epetitions (22 February 2017)
- Review of the 2014-15 and 2015-16 Annual Reports of the ICAC Inspector and Special Report regarding Operation Dewar (23 February 2017)
- First review of the Lifetime Care and Support Scheme (13 March 2017)
- First review of the Dust Diseases scheme (13 March 2017).

[Reports](#) tabled in NSW Parliament:

- Procurement of government infrastructure projects (23 February 2017)
- Commercial fishing in New South Wales (24 February 2017)
- Examination of the Auditor-General's Performance Audit Reports December 2014 – June 2015 (7 March 2017)
- First review of the workers' compensation scheme (9 March 2017)
- Child protection (16 March 2017).

Office of Local Government (OLG)

Recent [publications](#) released:

- No mergers for far west councils (24 February 2017)
- 17-03 2017 Ministers' Awards for Women in Local Government (7 March 2017)
- Celebrating women in local government (7 March 2017)



- Petty Antics, Childish Behaviour: Council Inquiries (10 March 2017).

Australian Securities and Investments Commission (ASIC)

Recent [speeches](#) released:

- Senate Economics Committee - Chairman Opening Statement (2 March 2017)
- Life insurance claims handling (16 March 2017)
- The Fourth Industrial Revolution: Impact on financial services and markets (20 March 2017)
- Three themes from the ASIC Annual Forum (21 March 2017).

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

Recent ACNC media releases [included](#):

- Charities risk consequences for overdue annual reporting (23 February 2017)
- Double defaulter charities risking loss of charity status (3 March 2017)
- Charity regulator sets out focus for 2017 in latest report (14 March 2017)
- ACNC seeks feedback on not-for-profit accounting tool (16 March 2017).

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

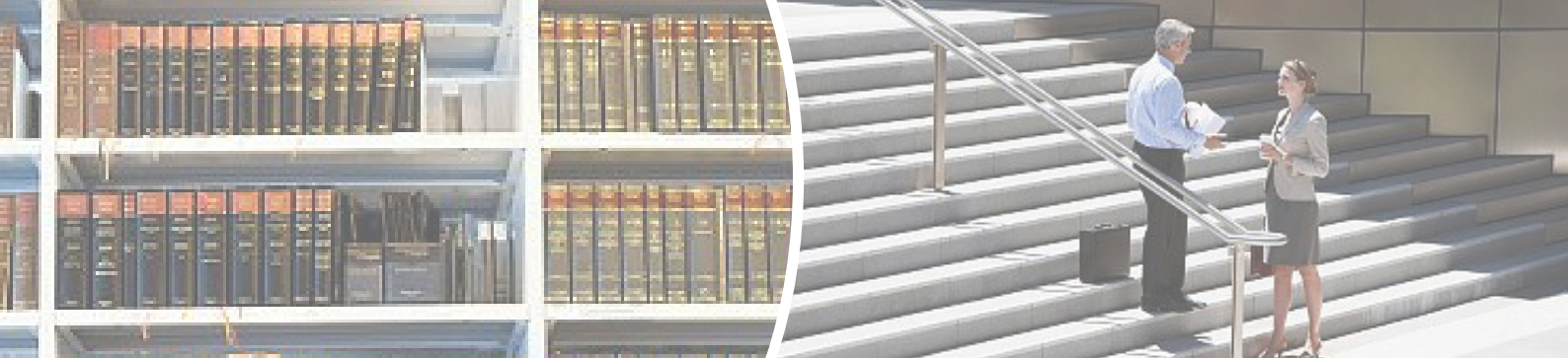
ACAG recently made submissions on:

- Fatal Flaw AASB 10XX - Income of Not-for-Profit Entities
- Tentative Agenda Decision - Materiality of Key Management Personnel Related Party Transactions for Public Sector Entities
- Fatal Flaw AASB 10XX - Service Concession Arrangements: Grantors.

New Publications by other Audit Offices

Australian National Audit Office (ANAO)

- The Australian Border Force's Use of Statutory Powers (27 February 2017)
- 2015-16 Major Projects Report (28 February 2017)
- Management of Selected Fraud Prevention and Compliance Budget Measures (28 February 2017)



- Cybersecurity Follow-up Audit (15 March 2017)
- ANAO Briefings to Parliamentarians of the 45th Parliament (16 March 2017)
- Proceeds of Crime (22 March 2017).

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

- Medium-term planning in government departments: Four-year plans (1 March 2017)
- AgResearch Future Footprint Project: our targeted review of the updated business case (7 March 2017).

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

- Report to the Legislative Assembly (16 March 2017).

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

- Report on the Adelaide Oval redevelopment for the designated period 1 July 2016 to 31 December 2016 (28 February 2017)
- Examination of the governance arrangements in local government: February 2017 (28 February 2017).

Tasmanian Audit Office (TAS AO)

- Report of the Auditor-General No. 9 of the 2016-17 Funding the forest agreements (14 March 2017).

Victorian Auditor-General's Office (VAGO)

- Managing Public Sector Records (2016-17: 17) (8 March 2017)
- Effectiveness of the Environmental Effects Statement Process (2016-17:18) (22 March 2017)
- Managing Victoria's Planning System for Land Use and Development (2016-17:19) (22 March 2017).

Useful Resources

Commonwealth Government Treasury

Recent [media releases](#) included:

- Opening Statement - March 2017 Senate Estimates (1 March 2017).

Recent [publications](#) included:

- Small Business Data Card (21 February 2017)
- Modelling Australia's exports of non-commodity goods and services (24 February 2017)
- Australian Government response to the Senate Economic References Committee report: 2016 Census: issues of trust

(27 February 2017)

- Development of Treasury's New Model of Australian Retirement Incomes and Assets (17 March 2017).

Department of Justice NSW

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

- New NSW Supreme Court Judge appointed (15 March 2017).

Productivity Commission

The Productivity Commission's [recent releases](#):

- Are we ready for the next millennium drought? (16 March 2017).

The Productivity Commission's [recent speeches](#):

- What is Fair? (24 February 2017)
- Data – The Thing that Ties it All Together (22 March 2017).

Independent Pricing & Regulatory Tribunal (IPART)

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

- Fact Sheet - Compliance with legislated employment guarantees - updated 22 February 2017 (Endeavour Energy correction) (22 February 2017)
- Fact Sheet - Council applications for a special variation in 2017-18 (23 February 2017)
- Fact Sheet - Review of the Water NSW operating licenses - Draft operating license package - 28 February 2017 (28 February 2017)
- Reporting Manual with drafted updates - March 2017 (3 March 2017)
- Electricity Networks Regulation Technical and Audit Services Panel Agreement (3 March 2017)
- Newsletter - Water Licensing and Compliance - Issue #4 - March 2017 (14 March 2017)
- Media Release - Statewide Overview - 14 March 2017 (14 March 2017)
- Consultant Report by Aither - A review of MDBA expenditure and cost sharing in New South Wales (14 March 2017)
- Consultant Report by Frontier Economics - Review of WaterNSW Cost Shares (14 March 2017)
- Draft Determination - WaterNSW - Prices for rural bulk water services from 1 July 2017 (14 March 2017)
- NSW Rail Access Undertaking - Final Guideline - March 2017 (17 March 2017).





Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#):

- ACCC names key enforcement and compliance priorities for 2017 (24 February 2017)
- [New technology and digital disruption bring new challenges for consumer regulator \(15 March 2017\).](#)

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