

# Professional update

Accounting and auditing developments |



October 2014

## Hot Topics

### NSW Treasury Policy Launch – Certifying the Effectiveness of Internal Controls over Financial Information

On the 13 November 2014, NSW Treasury will launch a new policy requiring agency Chief Financial Officers (CFOs) to annually certify the effectiveness of internal controls over financial information.

Four years ago, NSW Treasury began an initiative to improve the reliability and timeliness of agency financial information. As part of this initiative, CFOs of significant agencies are required to certify they have 'effective systems, processes and internal controls' over financial information.

To ensure the certification process' integrity and consistent application, NSW Treasury has developed policy and guidelines, which include mandatory core requirements, templates and useful checklists, which agencies may customise.

The policy launch will be hosted by Chartered Accountants Australia and New Zealand at its Sydney Conference Centre.

Please click [here](#) for further details and to register for the launch.

### Supplementary Financial Measures

The International Federation of Accountants (IFAC) has released [International Good Practice Guide: Developing and Reporting Supplementary Financial Measures – Definition, Principles, and Disclosures](#) (the Guide).

Supplementary financial measures are terms not defined in accounting standards and include terms such as 'earnings before interest, taxes, depreciation and amortisation (EBITDA)', 'net debt', 'free cash flow', or 'underlying profit'. While preparers claim these measures add value, regulators complain about a lack of transparency, comparability and/or consistency in the use of these terms.

The Guide aims to establish benchmarks for these supplementary financial measures to improve understanding of an organisation's performance by management, investors and other stakeholders.

In developing a conceptual framework for financial reporting, the International Accounting Standards Board (IASB) and the US Financial Accounting Standards Board (FASB) identified the following qualitative characteristics for financial information:

- relevance
- faithful representation
- comparability
- verifiability
- timeliness
- understandability.

The Guide discusses how to apply these qualitative characteristics when developing supplementary financial measures and provides guidance on their

## This edition includes:

- **NSW Treasury Policy Launch – Certifying the Effectiveness of Internal Controls over Financial Information**
- **Supplementary financial measures**
- **AASB – Work program update**

## Contents

Hot Topics	1
Audit Office of New South Wales	2
Accounting Update	2
Auditing Update	3
Ethics Update	3
Financial Reporting Council	4
Treasury - NSW Government	4
Department of Premier and Cabinet	4
Public Accounts Committee	4
Australian Securities and Investments Commission (ASIC)	4
Australian Prudential Regulation Authority	5
Australian Charities and Not-For-Profits Commission (ACNC)	5
New Publications by Other Audit Offices	5
Useful Resources	5



disclosure, including:

- definition and purpose of the measure
- change in composition of a supplementary financial measure
- quantitative reconciliation to the framework measure
- accompanying contextual disclosure
- location and presentation
- assurance.

In Australia, The Australian Securities and Investment Corporation (ASIC) monitors non-IFRS disclosures. [Regulatory Guide 230](#) 'Disclosing non-IFRS financial information' provides more guidance on the acceptability of the disclosures in the Australian context.

### AASB – Work program update

The Australian Accounting Standards Board (AASB) has updated its [work program](#) for the remainder of the 2014-15 financial year.

Some of the new standards and exposure drafts will significantly impact the public and not-for-profit sectors.

- [AASB 15 Revenue from contracts with customers](#) – issued previously by the IASB in Q2 2014, this standard will be issued as an AASB in Q4 2014. It establishes a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers
- [Related party disclosures in not-for-profit public sector entities](#) – this AASB project aims to remove relief available to not-for-profit public sector entities from compliance with AASB 124 Related Party Disclosures. This standard is scheduled to be released in Q4 2014
- [Fair value disclosures for not-for-profit public sector entities](#) – the object of this AASB project is to consider whether to change the disclosures specified by AASB 13 Fair Value Measurement for not-for-profit public sector entities. An exposure draft is planned to be released in Q2 2015
- [Depreciated replacement cost as a measure of value in use](#) – this AASB project aims to clarify the application of depreciated replacement cost as a measure of value in use for certain assets of not-for-profit entities. A due process document is expected to be issued in Q4 2014 / Q1 2015
- [Annual improvements 2012-2014](#) – IFRS is expected to be issued in Q3 2014. IASB standard to be issued as an AASB standard in Q4 2014

- Annual improvements 2014-2016 – exposure draft scheduled to be released in Q2 2015
- Financial instruments – classification and measurement (limited improvements) – IFRS is expected to be issued in Q3 2014. IASB standard to be issued as an AASB standard in Q4 2014
- Financial instruments – impairment – IFRS is expected to be issued in Q3 2014. IASB standard to be issued as an AASB standard in Q4 2014.

Please refer to the AASB work program for more information and the full list of upcoming projects.

### Audit Office of New South Wales

Grant Hehir, NSW Auditor-General:

- attended the Australian Government Leadership Network Conference: 'Towards Excellence – Building Capacity for Change' and participated in the panel discussion: 'What does it mean to use public money well?' (18 September 2014)
- participated in a panel discussion at Infrastructure Partnerships Australia on the role of the Audit Office and future audits on public private partnerships (20 October 2014).

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

- [Volume Four 2014 focusing on New South Wales State Finances](#) (28 October 2014).

### Accounting Update

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

[The AASB has released:](#)

- comments on IFRS Interpretations Committee's tentative agenda decisions in relation to IAS 16 Property, Plant and Equipment (18 September 2014)
- ED 254 Measuring Quoted Investments in Subsidiaries, Joint Ventures and Associates at Fair Value – comments close 12 December 2014
- ITC 32 Reporting the Financial Effects of Rate Regulation (19 September 2014)
- ED 255 Financial Reporting Requirements for Australian Groups with a Foreign Parent – comments close 24 November 2014





- new compiled versions of Standards and Interpretations that apply to annual reporting periods beginning on or after 1 January 2014
- ED 256 Removal of Cross-References from Financial Statements to Other Documents – comments close 28 November 2014
- AASB has added Basis for Conclusions to AASB 123 Borrowing Costs (14 October 2014)
- new compiled versions of Standards and Interpretations that apply to annual reporting periods beginning on or after 1 July 2014
- latest editions of AASB International Update (16 October 2014).

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

#### [IASB Meeting Highlights – 22-24 September 2014](#)

Topics discussed included:

- disclosure initiative
- update on research projects including those on business combinations common control and post-employment benefits
- insurance contracts
- ongoing redeliberation of the Conceptual Framework
- IAS 21 The Effects of Changes in Foreign Exchange Rates
- IAS 1 Presentation of Financial Statements – Classification of Liabilities
- distinction between a change in accounting policy and a change in accounting estimate
- post-implementation review: IFRS 3 Business Combinations.

#### [IASB Speeches and Releases](#)

The IASB has released/published:

- eIFRS Professional – a suite of online IFRS resources for IFRS professionals (15 October 2014)
- ‘Keeping capitalism honest’: comments by Hans Hoogervorst (2 October 2014)
- September IFRS for SMEs Update (30 September 2014).

### Auditing Update

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

The AUASB has recently [released](#):

- the September 2014 edition of Independence the AUASB’s e-newsletter
- the October 2014 edition of AUASB International Update.

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

The IAASB has recently released:

- [2014 Handbook](#) of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (8 October 2014)
- International Good Practice Guide: [Developing and Reporting Supplementary Financial Measures – Definition, Principles and Disclosure](#) (22 September 2014).

### Ethics Update

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

The IESBA recently released:

- its strategy and work plan for 2014-2018 (29 September 2014).

#### [IESBA Meeting Highlights – 13-15 October 2014](#)

Topics discussed by the IESBA at its meeting included:

- auditor reporting
- structure of the Code – draft consultation paper
- Code section 300 Part C exposure draft
- responding to suspected non-compliance with laws and regulations
- discussion of comment letters to exposure draft, Proposed Changes to Certain Provisions of the Code Addressing Non-Assurance Services for Audit Clients. Discussion of proposed final changes to sections 290 and 291
- emerging issues and outreach.





## Financial Reporting Council (FRC)

### [FRC Meeting Highlights – 20 June 2014](#)

At its meeting, the FRC discussed the following:

- draft memorandums of understanding between the FRC and the three accounting bodies
- Government's Deregulation Agenda
- monitoring of AASB and accounting standards
- international update
- monitoring of AUASB and auditing standards
- reports by stakeholders
- committee and taskforce reports
- FRC annual report.

## Treasury – NSW Government

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

- [NSW TC 14-28](#) Parameter and Technical Adjustments and Measures (New Policy) (29 September 2014)
- [NSW TC 14-29](#) Management of Contingency Provisions for Major Projects (13 October 2014).

## Department of Premier and Cabinet

### New Ministerial Memoranda and Department Circulars

- [C2014-09](#) Governance Framework for Major Transactions (9 October 2014).

## Public Accounts Committee

### Reports

[Reports tabled](#) in the NSW Parliament:

- Review of the exercise of the functions of the WorkCover Authority (17 September 2014)
- Review of the 2012-2013 Annual Reports of the Independent Commission Against Corruption and the Inspector of the Independent Commission Against Corruption (22 September 2014)
- Every Sentence Tells a Story – Report on Sentencing of Child Sexual Assault Offenders (14 October 2014)
- Greyhound racing in New South Wales – Second Report (16 October 2014).

- Review of the 2012-2013 annual report of the Commission for Children and Young People (21 October 2014)
- Budget Estimates (2014-2015) (23 October 2014)
- Regional aviation services (23 October 2014).

## Australian Securities and Investments Commission (ASIC)

Recent [regulatory guides](#) released:

- [RG 253](#) Fundraising: Facilitating offers of CHESS Depository Interests.

Recent [reports](#) released:

- Report 407 Review of the financial advice industry's implementation of the FOFA reforms
- Report 408 Review of the implementation of RG148: Platforms that are managed investment schemes
- Report 409 Response to submissions on CP 214 Updated record-keeping obligations for AFS licensees
- Report 410 Review of 'low doc' home lending following the introduction of the responsible lending obligations
- Report 411 Overview of decisions on relief applications (February to May 2014)
- Report 412 Insolvency statistics: External administrators' reports (July 2013 to June 2014)
- Report 413 Review of retail life insurance advice
- Report 414 Response to submissions on CP 220 Fundraising: Facilitating offers of CHESS Depository Interests.

ASIC [Media Releases](#):

- 14-238MR ASIC update on financial advice stakeholder engagement (17 September 2014)
- 14-239MR Australian company data available at data.gov.au (18 September 2014)
- 14-240MR Record-keeping obligations updated (18 September 2014)
- 14-245MR 'Low doc' lenders tighten lending practices (23 September 2014)
- 14-254MR ASIC reports on corporate insolvencies 2013-14 (29 September 2014)
- 14-263MR Higher standards needed for life insurance industry (9 October 2014).







## Australian Prudential Regulation Authority (APRA)

### [Recent APRA releases:](#)

- 14.18 discussion paper on disclosure reforms (18 September 2014)
- 14.19 quarterly MySuper statistics (2 October 2014).

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

### [Recent ACNC releases:](#)

- Curtin Report finds Australian charities operating in over 100 countries (7 October 2014)
- the Commissioner's latest [columns](#).

## New Publications by Other Audit Offices

### Australian National Audit Office (ANAO)

- Report 1: Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2013 Compliance) (18 September 2014)
- Report 2: Food Security in Remote Indigenous Communities (25 September 2014).

### ANAO [Better Practice Guides:](#)

- [Successful Implementation of Policy Initiatives](#) (October 2014).

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

- New Zealand Transport Agency: Maintaining and renewing the state highway network – follow-up report (7 October 2014)
- Ashburton District Council: Allegations of conflicts of interest affecting decisions on a second bridge (14 October 2014).

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

- 2014-15:6 Management and Oversight of the Caulfield Racecourse Reserve (17 September 2014)
- 2014-15:7 Effectiveness of Catchment Management Authorities (17 September 2014)
- 2014-15:8 Heatwave Management: Reducing the Risk to Public Health (14 October 2014)
- 2014-15:9 Emergency Response ICT Systems (14 October 2014)

- 2014-15:10 Public Sector Performance Measurement and Reporting (15 October 2014)
- 2014-15:11 Mental Health Strategies for the Justice System (15 October 2014)
- 2014-15:12 Information and Communications Technology Controls Report 2013-14 (15 October 2014)
- 2014-15:13 Auditor-General's Report on the Annual Financial Report on the State of Victoria 2013-14 (16 October 2014).

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

- Annual reports of the Auditor-General for the year ended 30 June 2014 (14 October 2014).

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

- Opinions on Ministerial Notifications (25 September 2014).

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

- Report 2: 2014-15 Hospital infrastructure projects (21 October 2014).

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

- Report 6 ACT Audit Office Annual Report 2013-14 (18 September 2014).

## Useful Resources

### Commonwealth Government Department of the Environment

The Department of the Environment's [recent releases:](#)

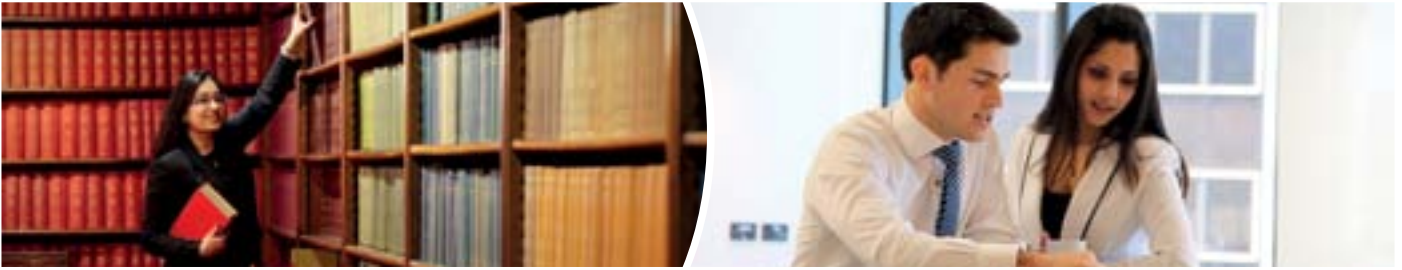
- Draft Emissions Reduction Fund methods released for public consultation. Comments close 12 November 2014.

### Productivity Commission

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

- Natural Disaster Funding Arrangements – draft report (25 September 2014)
- Relative Costs of Doing Business in Australia: Retail Trade (10 October 2014)
- Relative Costs of Doing Business in Australia: Dairy Product Manufacturing (10 October 2014).





## Independent Pricing & Regulatory Tribunal (IPART)

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

- review of taxi fares and annual taxi licences in Sydney (7 October 2014)
- review of taxi fares outside Sydney (7 October 2014)
- review of tow truck fees and licensing in NSW (14 October 2014)
- fact sheet: how does IPART assess applications for special variations by councils (21 October 2014)
- community awareness and engagement for special variation applications (21 October 2014).

## Association of Superannuation Funds of Australia (ASFA)

- ASFA [submission](#) to the Review of retirement income stream regulation (29 September 2014)
- Super failure: every year \$2.5 billion worth of missing superannuation owed to workers (6 October 2014).

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