

Professional update

Accounting and auditing developments | October 2016

Contents

- 1** Hot Topics
- 2** Audit Office of New South Wales
- 2** Accounting Update
- 3** Auditing Update
- 3** Ethics Update
- 4** Financial Reporting Council
- 4** Public Service Commission
- 4** Office of Local Government
- 5** Australian Securities and Investments Commission (ASIC)
- 5** Australian Prudential Regulation Authority (APRA)
- 5** Australian Charities and Not-for-profits Commission (ACNC)
- 5** New Publications by Other Audit Offices
- 6** Useful Resources

This edition includes:

- Local governments prepare to comply with AASB 124 – Related Party Disclosures
- New guidance issued for management representations
- AUASB invites comments on Compliance Engagements
- Universities reminded to seek exemptions, extensions and prescribing of entities

Hot Topics

Local governments prepare to comply with AASB 124 – Related Party Disclosures

[AASB 124 Related Party Disclosures](#) requires all not-for-profit public sector entities, including local government, to include related party disclosures in the financial statements for annual reporting periods beginning on or after 1 July 2016.

The Office of Local Government (OLG) issued [Council Circular No 16-36 Financial reporting obligations – AASB 124 Related party disclosures](#) to help councils prepare the 2016–17 financial statements.

AASB 124 defines a related party as ‘a person or entity that is related to the entity that is preparing its financial statements’. For councils, this is likely to include, but not limited to:

- the mayor
- councillors
- general manager
- senior executives
- close family members of the mayor, councillors, general manager or senior executives
- any entities controlled or jointly controlled by the council.

Councils need to identify related party relationships and transactions with its key management personnel, their close family members and council-related entities. These may need to be disclosed in the council’s financial statements.

Further guidance can be found in:

- the Australian implementation guidance for not-for-profit public sector entities within AASB 124
- slides from a recent webinar presented at the OLG [webinar](#).

New guidance issued for management representations

The Accounting Professional & Ethical Standard Board (APESB) recently released guidance note [APESB GN 41 Management Representations](#) (GN 41) which is effective immediately. GN 41 was issued to help professional accountants understand their legal and professional obligations to neither mislead nor omit information inappropriately. The guidance covers:

- the preparation and/or signing of management representations
- professional obligations for management representations, including certifications
- management representation considerations at the entity level, controlling entity level and board or audit committee level.



GN 41 is directed primarily at chief financial officers and those in senior finance roles with responsibility for preparing and/or signing the management representations. However, GN 41 is relevant for professional accountants at different levels of an organisation.

GN 41 highlights the need for professional accountants to consider the context and purpose of management representations, using the work of others and acting with sufficient expertise in preparing management representations.

AUASB invites comments on Compliance Engagements

In August, the Auditing and Assurance Standards Board (AUASB) released Exposure Draft 04/16, [Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements](#) for comment. The comment period closed on 19 October 2016.

This standard reflects best practice in compliance engagements and clarifies how to scope, conduct and report on an assurance engagement on compliance, to ensure assurance engagement quality is maintained and where necessary improved. The proposed standard will replace ASAE 3100 Compliance Engagements, last revised in October 2008.

The standard is operative for assurance engagements commencing on or after 1 January 2018. Early adoption is permitted.

Universities reminded to seek exemptions, extensions and prescribing of entities

Universities are reminded to request exemptions/extensions for preparing final financial reports in writing from the Secretary of the Treasury (not the Treasurer) on or before Friday 2 December 2016.

Treasury will not grant exemptions for a continuing statutory body, even where it is dormant. However, Treasury will consider requests for 'soon to be' former statutory bodies – for example, if action to liquidate a controlled company has begun. In these circumstances, or if an entity has ceased to exist, universities and/or their subsidiaries may seek a Treasury exemption from preparing the final financial report under section 43A(5) of the *Public Finance and Audit Act 1983*.

Requests to prescribe entities identified as jointly controlled with other universities or NSW agencies should be made as soon as possible. Approval of these requests may take several months.

Requests must include:

- the name of their Audit Office contact
- a representation that the Audit Office does not object to Treasury granting the request.

This request letter should be emailed to accpol@treasury.nsw.gov.au.

Audit Office of New South Wales

Margaret Crawford, NSW Auditor-General:

- attended Boston Consulting Group event: Celebrating Women's Success (22 September 2016)
- presented at a Chartered Accountants Australia + New Zealand Public Sector event: 'Conversation with Margaret Crawford, NSW Auditor-General' (5 October 2016)
- presented at a CPA Australia event: 'Innovation in auditing using data analytics' (11 October 2016)
- attended a Community Awareness of Policing Program in Richmond (21 to 23 October 2016).

Auditor-General's Financial Audit Reports to Parliament

- [Volume Four 2016 Report on State Finances \(6 October 2016\)](#).

Auditor-General's Performance Audit Reports to Parliament

- [Preventing and managing worker injuries \(13 October 2016\)](#).

Auditor-General's Special Audit Reports to Parliament

- [Government agencies compliance with the GIPA Act \(17 October 2016\)](#).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

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

- Simplifying income recognition for not-for-profit entities (28 September 2016)
- AASB's inaugural Research Forum (6 October 2016)
- Limited applicability expected for amendments to AASB 4 (13 October 2016).

AASB has recently issued:

- [AASB 2016-6](#) Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts





- [Exposure Draft](#) – Fatal Flaws Draft – Income of Not-for-Profit Entities (AASB 10XX and AASB 2016-X) – September 2016. Comment period closed 21 October 2016.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 18 to 19 October 2016](#)

Topics discussed:

- IFRS for SMEs
- Disclosure Initiative: Principles of Disclosure
- Disclosure Initiative: Materiality
- Conceptual Framework
- IFRS 8 Amendments
- the 2015 Agenda Consultation
- IFRS Implementation issues
- Financial Instruments with Characteristics of Equity
- Research Update.

[IASB Podcasts](#)

Recent podcasts released by IASB include:

- September 2016.

International Update – International Federation of Accountants (IFAC)

IFAC has recently [released](#):

- Finance Professionals Meeting Today's Business Challenges (28 September 2016).

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

IPSASB has recently [issued](#) the following:

- IPSASB September 2016 Meeting Highlights Podcast (23 September 2016).

[IPSASB Meeting Highlights – 20 to 23 September 2016](#)

The Board discussed the following topics:

- Revenue and Non-Exchange Expenses
- Financial Instruments
- Heritage
- Public Sector Combinations
- Leases
- Social Benefits
- Emissions Trading Schemes.



Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

AUASB has recently issued:

- [ASA 810](#) Engagements to Report on Summary Financial Statements (September 2016) – effective for financial reporting periods ending on or after 15 December 2016.

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

IAASB has recently issued:

- [ISA 250](#) (Revised), Consideration of Laws and Regulations in an Audit of Financial Statements (5 October 2016) – effective for periods beginning on or after 15 December 2017.

[IAASB Meeting Highlights – 19 to 23 September 2016](#)

The Board discussed the following topics:

- Enhancements
- Quality Control
- Group Audits
- Accounting Estimates
- Professional Scepticism
- Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
- Agreed-Upon Procedures
- Auditor Reporting.

Ethics Update

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

[Latest news from the APESB:](#)

- APESB issues Strategic Plan for 2016-2020 period (4 October 2016).

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

[Latest news from IESBA:](#)

- 2016 IESBA Handbook Now Available (23 September 2016)
- IESBA September 2016 Meeting Highlights Podcast (30 September 2016).



[IESBA Meeting Highlights – 26 to 30 September 2016:](#)

- Long Association of Audit Firm Personnel with an Audit Client
- Review of Safeguards in the Code
- Structure of the Code
- Review of Part C of the Code
- Responding to Noncompliance with Laws and Regulations (NOCLAR)
- Professional Scepticism
- Emerging Issues and Outreach
- Fees Initiative.

Financial Reporting Council (FRC)

[FRC Meeting Highlights – 7 September 2016:](#)

The FRC discussed the following:

- FRC Annual Report
- Committee Update including AASB/AUASB Restructure
- Other business.

Public Service Commission (PSC)

The PSC has released the following circular:

- [PSCC 2016-07](#) Transfer and Secondment Guidelines (13 October 2016).

NSW Procurement Board

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

- Devolution of Contract 1001064 Media Agency Services (29 September 2016)
- New Principal Arranged Insurance (PAI) provider for construction projects under \$10 million (4 October 2016)
- Revised Value for Money statement for NSW Government Procurement (10 October 2016)
- Travel and Transport policy – amendment for travel to Norfolk Island and Lord Howe Island (10 October 2016)
- Award of Contract 4005 Provision of Motor Vehicle Compulsory Third Party (CTP) Green Slip Insurance (10 October 2016)
- New prequalification scheme: Employment related medical services (12 October 2016).

NSW Procurement Board has recently issued:

- [PBD-2016-05](#) Procurement Innovation Stream (28 September 2016).

Public Accounts Committee (PAC)

Inquiries

The PAC has recently commenced [inquiries](#) into:

- Examination of the Auditor-General's Performance Audit Reports December 2014 – June 2015 (22 September 2016).

Reports

[Reports tabled](#) in NSW Parliament:

- Economic development in Aboriginal communities (30 September 2016)
- Inquiry into the Management of NSW Public Housing Maintenance Contracts (11 October 2016)
- Inquiry into Crown land (13 October 2016)
- Workplace Arrangements into the Point to Point Transport Industry (19 October 2016)
- Adequacy of the regulation of short-term holiday letting in New South Wales (19 October 2016)
- Inquiry into Wambelong fire inquiry evidence (21 October 2016).

Office of Local Government (OLG)

Recent [publications](#) released:

- 16-35 More Phase 1 amendments to the Local Government Act commenced by proclamation (26 September 2016)
- 16-36 Financial reporting obligations – AASB 124 Related party disclosures (27 September 2016)
- 16-37 Local authority mandatory swimming pool inspection program reminder (28 September 2016)
- 16-38 2016 'Hit the Ground Running' Councillor Workshops for councils with elections in September and October 2016 – promotional flyer and online registrations (12 October 2016)
- M16-05 Graffiti Removal Day – Sunday 30 October 2016 (17 October 2016)
- Local government sector focused on delivering for communities (19 October 2016)
- 16-39 2016 edition of the Councillor Handbook (21 October 2016)





- 16-40 2016 local government elections – survey of candidates and councillors (24 October 2016).

Australian Securities and Investments Commission (ASIC)

Recent [reports](#) released included:

- REP 495 Response to submissions on CP 207 Charitable investment fundraisers (28 September 2016)
- REP 497 Response to submissions on CP 267 Remaking ASIC class orders on audit and financial reporting (30 September 2016).

Recent [speeches](#) released:

- Meeting our long-term challenges: ASIC's Corporate Plan (15 September 2016)
- Financial literacy: ASIC update (6 October 2016)
- ASIC and behavioural economics: Regulating for real people (18 October 2016).

ASIC [Media Releases](#) included:

- 16-336MR ASIC remakes instruments that affect financial reporting (30 September 2016)
- 16-351MR ASIC's opening address to the House of Representatives Standing Committee on Economics (14 October 2016).

Australian Prudential Regulation Authority (APRA)

Recent APRA [releases](#) included:

- APRA releases snapshot of industry practice in risk culture (18 October 2016).

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

Recent ACNC [releases](#) included:

- The ATO and ACNC collaborate for change (29 September 2016)
- New guidance for charities engaging with vulnerable people (10 October 2016).

New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- Confidentiality in Government Contracts: Senate Order for Entity Contracts (Calendar Year 2015 Compliance) (27 September 2016)
- Managing Contracts at Parliament House (27 September 2016)
- Reforming the Disposal of Specialist Military Equipment (17 October 2016)
- The Management, Administration and Monitoring of the Indemnity Insurance Fund (19 October 2016)
- Government Advertising: March 2013 to June 2015 (19 October 2016).

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

- Watercare Services Limited: Review of service performance (October 2016)
- Summary of our Education Maori reports (October 2016).

Australian Capital Territory Audit Office (ACT AO)

- Certain Land Development Agency Acquisitions (30 September 2016).

Queensland Auditor-General's Office (QAO)

- Strategic procurement (Report 1: 2016-17) (27 September 2016)
- Forecasting long-term sustainability of local government (Report 2: 2016-17) (11 October 2016).

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

- Supplementary Report for the year ended 30 June 2016: State finances and related matters: October 2016 (18 October 2016)
- Annual Report of the Auditor-General for the year ended 30 June 2016 (18 October 2016)
- Supplementary Report for the year ended 30 June 2016: RevenueSA Information Online system: October 2016 (20 October 2016).

Tasmanian Audit Office (TAS AO)

- Report of the Auditor-General No.2 of 2016-17: Workforce Planning in the Tasmanian State Service – summary report (13 October 2016).





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

- Opinion on Ministerial Notification (6 October 2016)
- Opinion on Ministerial Notification (13 October 2016)
- Western Australia Waste Strategy: Rethinking Waste (19 October 2016).

Useful Resources

Commonwealth Government Treasury

Recent [media releases](#) included:

- Review of the R&D Tax Incentive (28 September 2016)
- Opening Statement – Senate Economics Legislation Committee (19 October 2016).

Commonwealth Government Department of the Environment

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

- Intergovernmental Panel on Climate Change – Call for nominations for Sixth Assessment Report scoping authors (7 October 2016)
- Meet the latest organisations to join the Carbon Neutral Program (10 October 2016).

Australian Stock Exchange

Recent [media releases](#) included:

- ASX AGM 2016 – Chairman and CEO Speeches (28 September 2016)
- ASX Responds to Regulatory Expectations and Updates its Code of Practice (12 October 2016).

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

COSO [news](#):

- COSO Releases Fraud Risk Management Guide.

Department of Justice NSW

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

- Industrial relations moves to Supreme Court (21 September 2016).

Independent Pricing and Regulatory Tribunal (IPART)

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

- Transcript – Review of the Local Government Rating System in NSW – Sydney – 19 September (27 September 2016)
- Transcript – Review of Local Government Rating System in NSW – Dubbo – 10 October 2016 (14 October 2016).

Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#) included:

- ACCC releases SOI on proposed acquisition of Pillar by Link (13 October 2016)
- ACCC steers toward effective port regulation (20 October 2016).

Association of Superannuation Funds of Australia (ASFA)

ASFA [media releases](#) included:

- Joint Media Release: Group Insurance Statement of Intent (7 October 2016)
- ASFA supports Life Insurance Code (11 October 2016).





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