

Professional update

Accounting and auditing developments | October | 2017

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This edition includes:

- Guidance on Making Materiality Judgements
- Treasury changes to annual reporting requirements
- Universities reminded to seek exemptions, extensions and prescribing of entities

Hot Topics

Guidance on Making Materiality Judgements

The International Accounting Standards Board recently issued International Financial Reporting Standard (IFRS) [Practice Statement 2 'Making Materiality Judgements'](#) (Practice Statement) to help entities make judgements about materiality when preparing general purpose financial statements in accordance with IFRS.

The publication encourages entities to apply judgement about whether matters need to be disclosed, instead of using the disclosure requirements within each standard as a checklist. Although this Practice Statement has been written for the international context, the principles are useful to all preparers of financial statements.

The Practice Statement provides guidance on the following:

- general characteristics of materiality
- interaction of laws and regulations with materiality
- a four-step process in making materiality judgements
- specific application guidance on prior-period information, errors, information on covenants and interim reporting.

The Practice Statement does not change or introduce any new requirements. Entities can apply the guidance in the Practice Statement to financial statements prepared after 14 September 2017.

As an associated but separate project, the AASB issued [ED 282 'Definition of Material'](#). ED 282 proposes minor amendments to AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The objective of ED 282 is to improve understanding of the current requirements and align the wording of 'material' in IFRS to the definition in the Conceptual Framework.

ED 282 specifically requires comment on whether there are any issues arising in the Australian environment such as impact on public sector entities. The amendments were originally part of the IASB's Discussion Paper [DP/2017/1 'Disclosure Initiative - Principles of Disclosure Discussion Paper'](#). It provided the principles of effective communication to improve disclosure objectives and address specific disclosure concerns, including the use of performance measures and accounting policies.

Comments to the AASB relating to ED 282 are due by 17 November 2017.

Treasury changes to annual reporting requirements

NSW Treasury recently released [Changes to annual reporting requirements](#), which summaries some of Treasury's publications on annual reporting requirements. These include:



- [TC17-02 'Guidelines on reporting investment and liability management performance'](#) released in February 2017 for statutory bodies, replacing TC 14-31 of the same name
- a requirement for agencies to disclose information concerning Public Service Senior Executive (PSSE) numbers and remuneration in their annual reports based on four PSSE salary bands. These requirements are set out in Treasury's [Annual Report Compliance Checklist](#).

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 Treasury (not the Treasurer) on or before Friday 1 December 2017.

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 – e.g. 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:

- Southern Sydney Region of Councils meeting – Redfern (5 October 2017)
- Hunter Council meeting (12 October 2017)
- Treasury Planning Day – Panel Discussion "Collaborating to Improve Financial Management in NSW Government" (12 October 2017)



- City of Sydney Council meeting (16 October 2017)
- Jeff Whalan Learning Group – "Your learning journey and career moves across jurisdictions" (19 October 2017).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

[AASB Meeting Highlights](#) – 10 October 2017

The AASB made key decisions in relation to:

- Licenses
- Australian Financial Reporting Framework – Draft Consultation Paper on Charities
- Insurance Contracts.

Topics discussed by the AASB at its meeting included:

- Presentation – Hans Hoogervorst, Chairman, IASB
- IASB Practice Statement 2 – Making Materiality Judgements
- Social Benefits
- Deferral of Effective Date of Amendments to AASB 10 and AASB 128.

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

- Hot Topic issued: Improving and Rationalising Disclosures (18 October 2017)
- Save the date: Outreach events: Australian Reporting Framework – Charities (19 October 2017).

AASB has recently [issued](#):

- Invitation to Comment - ITC 37 The AASB's Standard-Setting Frameworks for For-Profit Entities and Not-for-Profit Entities – 19 October 2017.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights](#) – 24-25 October 2017

Topics discussed included:

- Business Combinations under Common Control
- Conceptual Framework



- Definition of a Business
- Goodwill and Impairment
- IFRS Implementation Issues
- IFRS Taxonomy Update – IFRS 17 Insurance Contracts
- Rate-regulated Activities.

[IASB Podcasts](#)

Recent podcasts released by IASB include:

- September IASB podcast now available (29 September 2017).

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

- New materials: The role of the IFRS Interpretations Committee in supporting IFRS Standards (22 September 2017)
- New IASB staff webcast: IFRS 16 lease term Q&A with Board Member Darrel Scott (2 October 2017)
- New IASB staff webcast on IFRS 9: don't forget disclosure! (3 October 2017)
- International Accounting Standards Board issues narrow-scope amendments to IFRS 9 and IAS 28 (12 October 2017).

International Update – International Financial Reporting Standards (IFRS) Foundation

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

- IFRS Foundation publishes case study report: Better Communication – making disclosures more meaningful (5 October 2017).

International Update – IFRS Interpretations Committee (IFRIC)

Recent [news](#) from IFRIC included:

- September 2017 IFRIS Update published (22 September 2017).

International Update – International Accounting Education Standards Board (IAESB)

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

- IAESB eNews, September 2017 (20 September 2017).

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

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

- IPSASB September 2017 Meeting Highlights Podcast (25 September 2017)
- IPSASB eNews: October 2017 (18 October 2017).

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

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

- Quality in performance engagements set to step up (5 October 2017)
- New Auditor Reporting FAQs available (17 October 2017).

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

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

- IAASB Webcast: Proposed Changes to International Standard on Quality (21 September 2017)
- IAASB September 2017 Board Meeting Highlights Podcast (28 September 2017)
- IAASB's Group Audits Task Force Issued a Project Update (19 October 2017).

Ethics Update

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

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

- Proposed Revisions to Risk Management for Firms (26 September 2017)
- APES 230 Project Update (3 October 2017).

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

The IESBA recently [released](#):

- IESBA September 2017 Meeting Highlights Podcast (3 October 2017).





The Treasury – NSW Government

New Treasury Policy Papers, Circulars and Research Papers

Treasury has recently [published](#):

- Project Summary: New Grafton Correctional Centre (20 September 2017)
- Annual Report Compliance Checklist 2017 (30 September 2017)
- Changes to annual reporting requirements – September 2017 (30 September 2017).

Department of Premier and Cabinet

New Ministerial Memoranda and Department Circulars

Recent [circulars](#) included:

- M2017-04 Response to Domestic Violence Death Review Team (DVDRT) Report recommendations (10 October 2017).

NSW Procurement Board

Frameworks and Directions

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

- Extension of Contract 607 ICT software agreement – Oracle (5 October 2017)
- Upcoming mandatory reporting of data at a Local government area level in 2018 (5 October 2017)
- New NSW Procurement Board Direction (6 October 2017).

NSW Procurement [Board Directions](#) included:

- PBD-2017-04 Procuring human services from NGOs (13 September 2017)
- PBD-2017-03 Civil Liability Act 2002 - proportionate liability (6 October 2017).

Office of Local Government

Recent [publications](#) included:

- 17-27 End of Year Financial Reporting 2016-17 (25 September 2017)
- 17-28 2017-2018 Calendar of Compliance and Reporting Requirements (9 October 2017)
- 17-29 Investment Policy Guidelines – Interim TCorp Waiver (10 October 2017)



- 17-30 Consultation on drafts of the new Model Code of Conduct for Local Councils in NSW and associated Procedures.

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

Recent [releases](#) included:

- New ACNC toolkit to help connect MPs and charities (11 October 2017).

New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- Management of the Pre-construction Phase of the Inland Rail Programme (27 September 2017)
- Design and Monitoring of the National Innovation and Science Agenda (27 September 2017)
- Australia Post's Efficiency of Delivering Reserved Letter Services (28 September 2017)
- Management of the Contract for Telephone Universal Service Obligations (29 September 2017)
- Decision-making Controls for Sustainability – National Disability Insurance Scheme Access (19 October 2017).

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

- Annual Report 2016/17 (25 September 2017)
- MP's guide to the Auditor-General (26 September 2017).

Australian Capital Territory Audit Office (ACT AO)

- Selected ACT Government agencies' management of public art (12 October 2017)
- ACT Audit Office 2016-17 Annual Report (12 October 2017).

Queensland Audit Office (QAO)

- Managing the mental health of Queensland Police employees (Report 2: 2017-18) (10 October 2017).

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

- Annual Report of the Auditor-General for the year ended 30 June 2017 (17 October 2017).



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

- Report of the Auditor-General No. 1 2017-18 – Investigation into the Procurement of CT Management Pty Ltd by Glenorchy City Council (17 October 2017).

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

- Annual Report 2016-17 (6 September 2017)
- Victorian Public Hospital Operating Theatre Efficiency (18 October 2017).

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

- Management of Pastoral Lands in Western Australia (11 October 2017).

Useful Resources

Commonwealth Government Treasury

Recent [publications](#) included:

- Final Budget Outcome 2016-17 (26 September 2017).

Department of Justice NSW

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

- 'Safety First' Justice reforms enter parliament (11 October 2017)
- Criminal justice reforms pass Parliament (18 October 2017).

Independent Pricing & Regulatory Tribunal (IPART)

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

- Fact Sheet – Asset disposals consultation – 25 September 2017 (25 September 2017)
- Memorandum of Understanding – IPART and Energy & Water Ombudsman NSW (EWON) – July 2017 (26 September 2017)
- Final Report – Electricity Transmission Reliability Compliance from 1 July 2018 (29 September 2017)
- Summary Fact Sheet – Rural and Regional bus fares – October 2017 (10 October 2017).

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