

Professional update

Accounting and auditing developments |



September 2015

This edition includes:

- Likely changes to professional accountants' obligations
- Comment on ED 260 'Income of Not-for-Profit Entities'
- ED 269 'Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities'
- New Charitable Fundraising Regulation and Authority Conditions
- New Public Finance and Audit and Annual Reports Regulations

Contents

Hot Topics	1
Audit Office of New South Wales	3
Accounting Update	3
Auditing Update	5
Ethics Update	5
Treasury – NSW Government	6
Department of Premier and Cabinet	6
Public Service Commission (PSC)	6
NSW Procurement Board	6
Australian Securities and Investments Commission (ASIC)	6
Australian Prudential Regulation Authority (APRA)	7
Australian Charities and Not-for-profits Commission (ACNC)	7
Publications by Other Audit Offices	7
Useful Resources	7

Hot Topics

Hot Topic 1: Likely changes to professional accountants' obligations

The International Ethics Standards Board for Accountants (IESBA) has closed for comment an Exposure Draft '[Responding to Non-Compliance with Laws and Regulations](#)'. The final pronouncement, when issued, will apply to Australian members of the professional accounting bodies.

The project aims to develop a framework to guide professional accountants and auditors to act in the public interest when they encounter acts or suspect acts of non-compliance with laws and regulations. The IESBA and the profession have robustly debated what reasonable expectations of professional accountants are. The term "professional accountant" includes those in public practice or in employment and will be relevant to auditors and professional accountants employed in the public sector.

The proposed framework focuses on desired outcomes in the public interest. The proposals seek to ensure professional accountants do not turn a blind eye to non-compliance with laws and regulations, the consequences are addressed, and non-compliance is deterred and further appropriate action is taken in the public interest.

The proposals cover those laws and regulations where non-compliance may:

- have a direct and material impact on amounts and disclosures in the financial statements
- fundamentally impact the entity's business and operations
- result in material penalties.

The proposals do not cover the following examples of non-compliance:

- clearly inconsequential matters
- personal misconduct unrelated to the business activities of the client or employer
- acts committed by persons other than management, employees or those charged with governance.

The proposed framework adopts a differential approach to responsibility for responding to identified or suspected non-compliance with laws and regulations. Obligations differ for auditors, accountants in public practice and accountants employed in senior and junior positions. The framework recognises that accountants will, as a result of their roles, have different spheres of influence, levels of authority, responsibility and decision making, and public expectations.



Hot Topic 2: Auditors-General comment on Exposure Draft ED 260 'Income of Not-for-Profit Entities'

The Australasian Council of Auditors-General (ACAG) has submitted comments for consideration by the Australian Accounting Standards Board (AASB) on its Exposure Draft ED 260 'Income of Not-for-Profit Entities'.

The ED's proposals were summarised in the [May 2015 edition of Professional Update](#) when it was first released for comment.

Overall, ACAG supports the proposed standard, which provides guidance to help not-for-profit (NFP) entities apply the principles in AASB 15 'Revenue from Contracts with Customers' and replaces the income requirements in AASB 1004 'Contributions'. The proposed standard removes the distinction between 'reciprocal' and 'non-reciprocal' transactions. ACAG has recommended the AASB:

- provide clearer and more extensive implementation guidance and structured examples to help users assess the 'sufficiently specific' criterion as part of the performance obligation assessment
- separately consider the concept of owner transactions in the public sector to address current application issues
- consider whether the proposed standard's different accounting requirements for local governments, government departments, general government sectors and the whole of government should remain. In particular, ACAG recommended the AASB re-consider the appropriateness of different accounting for government departments and other NFP entities within governments.

A copy of ACAG's response to ED 260 can be located [here](#).

Hot Topic 3: ED 269 'Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities'

The Australian Accounting Standards Board (AASB) recently released [ED 269 'Recoverable Amount of Non-cash-generating Specialised Assets of Not-for-Profit Entities'](#). The exposure draft (ED) proposes amending AASB 136 'Impairment of Assets' to:

- remove references to depreciated replacement cost (DRC) as a measure of value-in-use for not-for-profit (NFP) entities
- clarify that the recoverable amount of primarily non-cash generating assets of NFP entities, typically specialised in nature and held for continuing use of their service capacity, should be measured at fair value determined under AASB 13 'Fair Value Measurement'.

The proposals clarify the interaction between DRC as a measure of value-in-use for assets of NFP entities under AASB 136 and current replacement cost (CRC) as a measure of fair value for assets under AASB 13.

NFP entities and valuers typically do not differentiate between DRC and CRC, with some constituents expressing the view that applying either measure to specialised assets results in materially similar values.

Under the proposals, NFP entities with primarily non-cash-generating specialised assets will no longer have to measure those assets' value-in-use at DRC. In addition, NFP entities which:

- regularly revalue such assets at fair value will no longer need to apply the impairment model required by AASB 136
- value such assets at cost will need to determine their fair value to establish whether they need to recognise impairment.

The AASB anticipates the changes will apply for annual reporting periods beginning on or after 1 July 2016 with early adoption permitted. No specific transitional provisions are proposed.

Comments are due to the AASB by 16 November 2015.

Hot Topic 4: New Charitable Fundraising Regulation and Authority Conditions Released

The [Charitable Fundraising Regulation 2015](#), which commenced on 1 September 2015, includes many of the changes recommended by the Audit Office of NSW.

Affected agencies should review the new regulation and Charitable Fundraising Authority Conditions to understand how the significant changes, outlined below, will impact their current and subsequent years' financial statements.

The regulation repeals and replaces the provisions of the Charitable Fundraising Regulation 2008 and:

- removes the definitions of 'child' and 'supply of goods'
- extends the exemption for Universities to conduct fundraising activities without holding an authority to their controlled entities
- includes a new exemption for small fundraisers with annual income of less than \$15,000 from holding an authority to conduct fundraising appeals
- includes a new exemption for charities with annual income of less than \$250,000 from having their accounts audited under s24(1) of the *Charitable Fundraising Act 1991* (CF Act)





- o omits Schedule 1 of the CF Regulation 2008, that prescribed the conditions of authority granted under s16(6) of the CF Act. The approved conditions of authority are set out in the 'Charitable Fundraising Authority Conditions' dated 31 July 2015.

The Minister for Innovation and Better Regulation has approved the following minor changes to [the Conditions](#), which will apply to fundraising authorities issued from 1 September 2015:

- o replaced references to the Office of Liquor, Gaming and Racing with NSW Fair Trading, which has been responsible for administering the CF Act since 1 July 2015
- o deleted the 'Report on outcome of appeal or appeals'
- o removed references to "audited" from the 'Presentation of audited financial accounts at annual general meeting' due to the new exemptions for small charities
- o updated the 'Conditions where children participate in fundraising appeals' to be consistent with the requirements of the Children and Young Person (Care and Protection) (Child Employment) Regulation 2010
- o updated references and removed irrelevant and redundant requirements.

For more information on Charitable Fundraising requirements refer to the NSW Fair Trading [website](#).

Hot Topic 5: New Public Finance and Audit and Annual Reports Regulations

The [Public Finance and Audit Regulation 2015](#) (PF&A Regulation 2015), the [Annual Reports \(Departments\) Regulation 2015](#) and the [Annual Reports \(Statutory Bodies\) Regulation 2015](#) were published on the 28 August 2015, and are effective from the date of issue.

Agencies should refer to the PF&A Regulations 2015 in their *Public Finance and Audit Act 1983* section 45F/41C Statement, which accompanies their financial statements and their accounting policy note.

The PF&A Regulation 2015, which repeals and replaces the provisions of the Public Finance and Audit Regulation 2010:

- o no longer individually lists each State Owned Corporation required to pay dividends – instead reference is made to the corporations specified in Schedule 5 to the *State Owned Corporations Act 1989*
- o adds City West Housing Pty Limited and the Marine Estate Management Authority to Schedule 1 Part 1

- o excludes the Ambulance Service of NSW, The Australian Institute of Asian Culture, Visual Arts Limited and the Marine Parks Authority from Schedule 1 Part 1
- o includes the Home Building Compensation in Fund Schedule 1 Part 2, and excludes the Home Warranty Insurance Fund.

The Annual Reports (Departments) Regulation 2015 and Annual Reports (Statutory Bodies) regulation 2015, which repeal and replace (without substantial amendment) the 2010 regulations, remove the requirement for Departments and Statutory bodies to report on 'waste' in their annual reports.

Audit Office of New South Wales

Auditor-General's Annual Report:

- o [Annual Report 2014–15](#)

Auditor-General's Performance Audit Report to Parliament

- o [Transferring out-of-home care to non-government organisations \(2 September 2015\)](#)
- o [Sydney Metropolitan Bus Contracts \(9 September 2015\)](#)
- o [Community Housing \(16 September 2015\)](#)
- o [Albert 'Tibby' Cotter Walkway \(17 September 2015\)](#).

Accounting Update

Australian Update – Australian Accounting Standards Board (AASB)

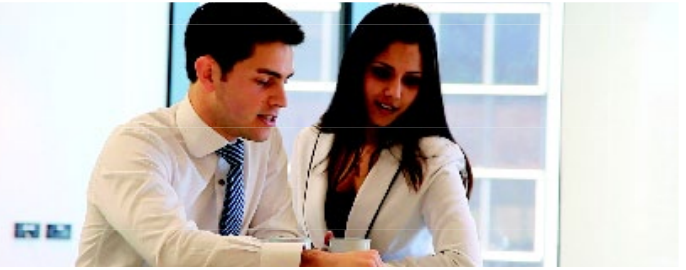
The AASB has issued:

- o Updated [Standard-setting Work Program](#) (8 September 2015)
- o Tentative Agenda Decision – [Accounting for Income Tax of Public Sector Entities](#). Constituents who disagree with the tentative agenda decision are encouraged to comment to the AASB by 9 October 2015.

[Reissue of AASB Standards and Interpretations](#)

The AASB has reissued most Standards and Interpretations that incorporate IFRSs. It has done this to enable it to make editorial changes and issue Australian versions of IFRSs more efficiently. The AASB has moved application paragraphs that identify the reporting entities and general purpose financial statements to which pronouncements apply to a new standard, [AASB 1057 Application of Australian Accounting Standards](#).





The reissued standards and interpretations are listed in an [Appendix](#) to the AASB media release.

Formatting changes include:

- replacing 'Application date' and 'early application paragraphs' with 'effective date paragraphs' either near the end of the body of the pronouncement or in an appendix
- moving paragraphs identifying disclosure concessions under Australian Reduced Disclosure Requirements (RDR) to a separate appendix along with specific RDR paragraphs
- moving Australian defined terms to a separate appendix.

AASB 1048 'Interpretation of Standards' has been reissued to add references to the new versions of Interpretations.

[AASB Meeting Highlights – 2-3 September 2015](#)

The AASB Board met on 2-3 September 2015 and made key decisions in relation to:

- reduced disclosure requirements (Tier 2) principles
- accounting for Income tax of public sector entities.

The Board also discussed the following topics:

- service concession arrangements: Grantor
- income of not-for-profit entities
- contributions tax payable by the plan in light of expected franking credits
- AASB Agenda Consultation
- Conceptual Framework
- Financial Reporting Framework – Benchmarking
- cross-references in financial statements to other documents
- draft AASB submission on IASB ED/2015/5 Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan
- crowd-sourced equity funding
- draft AASB submission on effective date of amendments to IFRS 10 and IAS 28
- digital currency
- AASB 6 Exploration for and Evaluation of Mineral Resources
- IPSASB Exposure Draft 56 The Applicability of IPSASs
- International Valuation Standards Council Engagement Paper
- IFRS Foundation Review
- international projects update
- international meetings update

- research update
- strategic plan update
- presentation from Australian Bureau of Statistics staff.

AASB has recently issued:

- [amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities \[AASB 13\]](#).

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

- International Edition (33-15)
- agenda for AASB meeting, 2-3 September 2015
- Board Papers for AASB meeting, 2-3 September 2015
- AASB issues ED 270
- International Edition (34-15)
- Editorial reissuance of AASB Standards and Interpretations that incorporate IFRSs
- International Edition (35-15)
- September 2015 Action Alert
- updated AASB Standard-setting Work Program
- International Edition (36-15)
- Tentative Agenda Decision – Accounting for Income Tax of Public Sector Entities
- Australian Accounting Standards Board is relocating (14 September 2015).

International Update – International Financial Reporting Standards (IFRS) Foundation

[Public events of the IFRS Foundation:](#)

- IFRS Interpretations Committee September 2015 (8-9 September 2015)
- IFRS Conference: Joint ICAEW and IFRS Foundation conference – implementing the IFRS 9 impairment requirements (15 September 2015)
- XBRL meeting: ITCG Conference Call – September (16 September 2015)
- Other IASB Working Group meeting: Transition Resource Group Impairment of Financial Instruments September 2015 (16 September 2015)
- Board meeting: IASB Education session September 2015 (18 September 2015)
- Board meeting: IASB Meeting September 2015 (21-24 September 2015)





- Other meeting and event: World Standard – setters Meeting September 2015 (28-29 September 2015).

[IFRS Latest News](#)

Latest news from the IFRS includes:

- joint Conceptual Framework outreach with EFRAG (20 August 2015)
- event reminder: the Research Forum in Hong Kong on 11 October 2015 (20 August 2015)
- the Transition Resource Group for Impairment of Financial Instruments September 2015 meeting agenda is now available (21 August 2015)
- Joint Capital Markets Advisory Committee and Global Preparers Forum meeting notes posted (21 August 2015)
- summary of the joint Capital Markets Advisory Committee and Global Preparers Forum discussions (27 August 2015)
- July/August IFRS for SMEs Update published (1 September 2015)
- agenda Papers for the September 2015 meeting of the Transition Resource Group for Impairment of Financial Instruments are now available (3 September 2015)
- Michel Prada speaks at the Eurofi Financial Forum (9 September 2015)
- IASB confirms deferral of effective date by issuing formal amendment to the revenue Standard (11 September 2015)
- new publication: The public at large benefits from strong accounting standards (14 September 2015)
- summary report of the EFRAG, EFFAS, ABAF and IASB Joint Investor Outreach Event on profit or loss and the role of other comprehensive income (15 September 2015)
- IASB Chairman speech: impairment requirement will result in fundamental change (15 September 2015).

International Update – International Federation of Accountants (IFAC)

[Latest news from IFAC](#) includes:

- IAASB Presentation and Outreach Activities January 2015-August 2015 (19 August 2015)
- IAASB eNews: August 2015 (20 August 2015)
- IESBA Releases 2014 Annual Report, Advancing Ethics for an Evolving, Global Profession (28 August 2015)
- IAESB Extends Deadline for Consultation Paper (2 September 2015)

- Urgent Questions Concerning Regulation's Impact on Growth, Innovation: IFAC Global Study (8 September 2015)
- Ian Carruthers Named Chair of the International Public Sector Accounting Standards Board (14 September 2015).

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB has recently released:](#)

- August 2015 Edition of AUASB International Update (25 August 2015)
- IAASB issues publication on Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting (25 August 2015)
- Auditing and Assurance Standards Board (AUASB) applications for appointment as a member (4 September 2015).

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

[Latest news from the IAASB:](#)

- IAASB Presentation and Outreach Activities January 2015 – August 2015 (19 August 2015)
- IAASB eNews: August 2015 (20 August 2015).

[IAASB has issued:](#)

- proposed International Standard on Auditing (ISA) 810 (Revised) (3 August 2015).

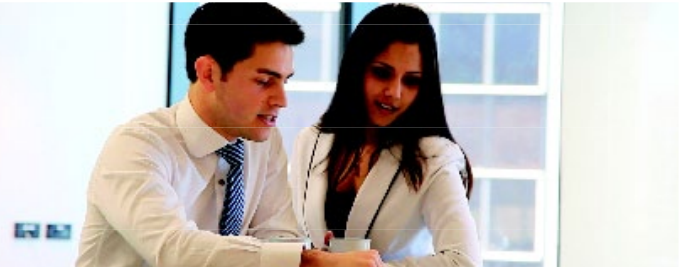
Ethics Update

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

[Latest news from the APESB:](#)

- more clarity for accountants on due diligence committees (27 August 2015)
- APESB's submission to IESBA's ED Responding to Non-Compliance with Laws and Regulations (9 September 2015)
- opportunity for feedback on accounting and professional standards (10 September 2015).





[APESB Meeting Highlights – 11-12 August 2015](#)

Topics discussed by APESB at its meeting included:

- review of respondents' comments on revision of APESB Pronouncements
- revision of APESB Standards primarily due to changes in the Code
- revision of APES 350 Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document
- project status update on APES GN 41 Management Representations Exposure Draft
- annual review of APES 230 Financial Planning Services
- annual review of APES GN20 Scope and Extent of Work for Valuation Services
- international and other activities.

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

[The IESBA recently released:](#)

- 2014 Annual Report, Advancing Ethics for an Evolving, Global Profession (28 August 2015).

The Treasury – NSW Government

New Treasury Policy Papers, Circulars and Research Papers

NSW Treasury has released the following pronouncements:

- [TC15/16](#) Managing Public Private Partnership (PPP) Contracts
- [TC15/17](#) Industrial Relations: Review of Meal, Travelling and other Allowances
- [TC15/18](#) Small agency annual reporting.

NSW Treasury has recently issued:

- [Changes to annual reporting requirements.](#)

[Latest news from the Treasury:](#)

- Australia's first Social Benefit Bond continues to deliver for families (22 August 2015)
- \$100m to be reinvested in disability services after NDIS milestone (28 August 2015)
- NSW housing record smashed (1 September 2015)
- NSW number one on economic growth (2 September 2015)
- Strong field of bidders enter final phase of TransGrid lease (3 September 2015)

- NSW the place to live, work and do business (3 September 2015)
- NSW business conditions booming (8 September 2015).

Department of Premier and Cabinet

New Ministerial Memoranda and Department Circulars

- [C2015-02 – Payment of fees for use of copyright material](#)
- [C2015-03 – Enhanced Ministerial Correspondence Handling](#)
- [C2015-04 – Statute Law Revision Program 2015.](#)

Public Service Commission (PSC)

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

- PSCC2015-08 Declaration of private interests – supplementary information (20 August 2015).

NSW Procurement Board

[NSW Procurement Board has recently issued:](#)

- NSW Government Procurement Policy Framework (July 2015)
- ICT Services Scheme: adjustment to sub-categories Q03PTr and Q04PTr (31 August 2015)
- NSW Government travel policy compliance (8 September 2015).

Australian Securities and Investments Commission (ASIC)

ASIC has recently released consultation papers:

- [CP 234](#) Remaking ASIC class orders on takeovers and schemes of arrangement
- [CP 235](#) Proposed amendments to ASIC market integrity rules and instruments for the Chi-X investment product market
- [CP 236](#) Remaking ASIC class orders on dematerialised securities and CHESS units of foreign securities
- [CP 237](#) Remaking ASIC class orders on real estate companies: [CO 00/213] and [CO 05/1243]
- [CP 238](#) Remaking ASIC class order on employee redundancy funds: [CO 02/314].

ASIC has recently released reports:

- [REP 446](#) ASIC regulation of corporate finance: January to June 2015
- [REP 447](#) Cost of consumer leases for household goods.





ASIC has recently released speech:

- [BFSLA – The Financial System Inquiry: A regulator's perspective \(4 September 2015\)](#).

ASIC [media releases](#):

- [15-245MR ASIC reviews transparency information on super websites](#)
- [15-251MR ASIC seeks improved compliance by responsible entities and superannuation trustees](#).

Australian Prudential Regulation Authority (APRA)

[Recent APRA releases](#):

- Statistics on ADI property exposures for June 2015 (25 August 2015)
- Authorised deposit-taking institution (ADI) performance statistics for June 2015 (27 August 2015)
- Consultation package on governance arrangements for superannuation trustees (31 August 2015).

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

[Recent ACNC releases](#):

- ACNC finds significant financial errors in charity reports (25 August 2015)
- Syrian refugee crisis: ACNC encourages Australians to give to established humanitarian charities (8 September 2015).

New Publications by Other Audit Offices

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

- August 2015 Report to the Legislative Assembly (August 2015).

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

- Report on the Adelaide Oval redevelopment (1 September 2015)
- Report on the Examination of the local government indemnity schemes: September 2015 (8 September 2015).

Tasmanian Audit Office (TAS AO)

- Report of the Auditor-General No. 2 of 2015-16: Capital works programming and management – audio summary (25 August 2015)

- Accounting and Auditing Developments newsletter – August 2015 (27 August 2015).

Victorian Auditor-General's Office (VAGO)

- Biosecurity: Livestock (2015–16:4)
- Applying the High Value High Risk Process to Unsolicited Proposals (2015–16:5)
- Unconventional Gas: Managing Risks and Impacts (2015–16:6)
- Regional Growth Fund: Outcomes and Learnings (2015–16:7)
- Realising the Benefits of Smart Meters (2015–16:8).

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

- Follow-On: Managing Student Attendance in Western Australian Public Schools (19 August 2015)
- Support and Preparedness of Fire and Emergency Services Volunteers (20 August 2015)
- Controls Over Employee Terminations (26 August 2015)
- Opinions on Ministerial Notifications (27 August 2015)
- Annual Report 2014–2015 (8 September 2015).

Useful Resources

Independent Pricing & Regulatory Tribunal (IPART)

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

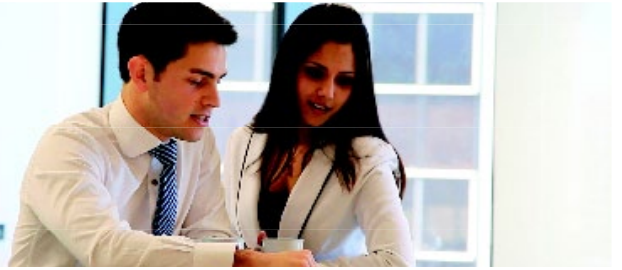
- WACC Biannual Update – August 2015 (26 August 2015)
- Hunter Water price reviews (7 September 2015)
- WaterNSW Greater Sydney area price reviews (7 September 2015)
- Summary of Issues Paper – Sydney Water price review (7 September 2015)
- Sydney Water price review (7 September 2015)
- A new methodology for setting public transport fares (8 September 2015).

Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#):

- Infrastructure reforms can help restore productivity (4 September 2015).





Accounting and Assurance News Today (ANT)

Latest issues:

- Accounting and Assurance News Today 2015 Edition 16 (4 September 2015)
- Accounting and Assurance News Today 2015 Edition 17 (11 September 2015).

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