

Financial reporting issues and developments

NSW State sector agencies and universities

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Financial reporting issues and developments

The table below details current issues and financial reporting developments that may impact your entity's financial statements. Management should review these issues and developments, determine those applicable to the entity and assess the impact on the financial statements and annual report. Where this relates to an accounting standard issued but not yet effective, management should disclose the anticipated impact of the standard on their financial statements. Management may consult with their audit team for further information and explanation on the issues and developments detailed below.

NSW state sector agencies should refer to Treasury's latest [Treasury Policy and Guidance](#) on mandates of accounting policy options and major policy decisions under Australian Accounting Standards when determining whether an accounting standard can be early adopted.

This document does not replace management's responsibilities to make its own enquiries into issues and developments that may impact your entities financial statements and annual report. This document should not be relied on as an exhaustive list.

Reporting developments

Issue 1: AASB 2021-2 'Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates'

Overview	Applies to
<p>This Standard amends:</p> <ul style="list-style-type: none"> AASB 7 'Financial Instruments: Disclosures' to clarify that information about measurement bases for financial instruments is expected to be material to an entity's financial statements AASB 101 'Presentation of Financial Statements' to require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates AASB 134 'Interim Financial Reporting' to identify material accounting policy information as a component of a complete set of financial statements AASB Practice Statement 2 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. 	<p>All entities for annual reporting periods beginning on or after 1 January 2023</p>

Entities' responsibilities

To effectively implement the changes to AASB 101 entities will need to:

- have an understanding of the new requirements and the impact on their financial statements
- review their accounting policies to determine the accounting policies that are 'material' for disclosure
- discuss their assessment with the Audit and Risk Committee (ARC) and auditors
- disclose the impact of the standard in the current year's financial statements.

Overview	Applies to
<p>Responsibilities of ARCs and those charged with governance</p>	
<p>ARCs and those charged with governance should:</p> <ul style="list-style-type: none"> • understand the requirements of the Standard • ensure management reviews their accounting policies to determine the accounting policies that are 'material' for disclosure • ensure the impact is disclosed in the current year's financial statements. 	

Issue 2: AASB 2022-10 'Amendments to Australian Accounting Standards - Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities

Overview	Applies to
<p>This Standard amends AASB 13 'Fair Value Measurement', including adding authoritative implementation guidance and providing related illustrative examples, for fair value measurements of non-financial assets of not-for-profit (NFP) public sector entities not held primarily for their ability to generate net cash inflows.</p> <p>Specifically, for such an asset, this Standard:</p> <ul style="list-style-type: none"> • specifies that the entity is required to consider whether the asset's highest and best use differs from its current use only when, at the measurement date, it is: <ul style="list-style-type: none"> – classified as held for sale or held for distribution to owners in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'; or – highly probable that the asset will be used for an alternative purpose to its current use • clarifies that the asset's use is 'financially feasible' if market participants would be willing to invest in the asset's service capacity, considering both the capability of the asset to be used to provide needed goods or services to beneficiaries and the resulting cost of those goods or services • specifies that, if both the market selling price of a comparable asset and some market participant data required to measure the fair value of the asset are not observable, an entity uses its own assumptions as a starting point in developing unobservable inputs and adjusts those assumptions to the extent that reasonably available information indicates that other market participants (including, but not limited to, other NFP public sector entities) would use different data; and • provides guidance on how the cost approach is to be applied to measure the asset's fair value, including guidance on the nature of costs to include in the current replacement cost (CRC) of a reference asset and on the identification of economic obsolescence. 	<p>Non-financial assets of NFP public sector entities not held primarily for their ability to generate net cash inflows prospectively for annual reporting periods beginning on or after 1 January 2024</p>

The AASB has also released a [webcast](#) to provide a high-level overview of the modifications to AASB 13.

Entities' responsibilities

To effectively implement the amendments to AASB 13 and apply the authoritative implementation guidance entities will need to:

- understand the nature of any of their non-financial assets not held primarily for their ability to generate net cash inflows
- have an understanding of the amendments to AASB 13 and the authoritative implementation guidance and the impact on their financial statements

Overview	Applies to
<ul style="list-style-type: none"> • assess whether the entity's current application of AASB 13 to fair value their non-financial assets not held primarily for their ability to generate net cash inflows is in accordance with the revised AASB 13 • discuss their assessment with the ARC and auditors • disclose the impact of the standard in the current year's financial statements as required by AASB 108. <p>Entities will need to ensure that they have documentation to support key estimates and judgements which include, but are not limited to:</p> <ul style="list-style-type: none"> • support for replacement cost rates, useful lives and remaining useful lives (along with relevant condition assessments) • appropriateness of including certain replacement costs in CRC (for example, cost of removing unwanted structures) • other assumptions, like consideration of obsolescence factors (functional or economic), pattern of consumption of future economic benefits and procurement approaches. <p>Entities should also have documentation to support:</p> <ul style="list-style-type: none"> • their own assumptions used in the valuation, and their appropriateness • how they have considered the existence of other market participants for the particular asset • how they have considered and assessed whether the identified market participants would use different data. <p>Responsibilities of ARCs and those charged with governance</p> <p>ARCs and those charged with governance should:</p> <ul style="list-style-type: none"> • understand the amendments to AASB 13 including the new authoritative implementation guidance • review management's assessment of whether the entity's current application of AASB 13 to fair value their non-financial assets not held primarily for their ability to generate net cash inflows is in accordance with the revised AASB 13 • ensure the impact is disclosed in the current year's financial statements. 	

Issue 3: AASB 2022-9 'Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector'

Overview	Applies to
<p>This Standard amends AASB 17 'Insurance Contracts' to include modifications that apply to public sector entities. Those modifications relate to providing public sector entities with:</p> <ul style="list-style-type: none"> • pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context • an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition • an exemption from sub-grouping contracts issued no more than a year apart • an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous • guidance on coverage periods in a public sector context, which has consequences for determining the cash flows used to measure insurance liabilities and the pattern of revenue recognition 	<p>Public sector entities with arrangements that are insurance contracts within the scope of AASB 17 for annual reporting periods beginning on or after 1 July 2026</p>

Overview	Applies to
<ul style="list-style-type: none"> • an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach • a transition requirement grandfathering the existing classification of arrangements constituting a liability for settlement of claims incurred before the liability was acquired in a transfer as either a liability for incurred claims within the scope of AASB 17 or a provision within the scope of AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'. <p>This Standard also:</p> <ul style="list-style-type: none"> • amends AASB 1050 'Administered items' to provide an accounting policy choice for government departments to apply either AASB 17 or AASB 137 in determining the information to be disclosed about administered captive insurer activities • repeals AASB 4 'Insurance Contracts' and AASB 1023 'General Insurance Contracts' • reverses the temporary consequential amendments set out in AASB 2022-8 'Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments' that amended various Standards to permit public sector entities to continue applying AASB 4 and AASB 1023 to annual periods beginning on or after 1 January 2023 but before 1 July 2026. 	
<p>AASB 2022-8:</p> <ul style="list-style-type: none"> • defers the application of AASB 17 to for-profit public sector entities from 1 January 2023 until periods beginning on or after 1 July 2026 • makes amendments to all Australian Accounting Standards that refer to AASB 17 to permit public sector entities (both for-profit and not-for-profit entities) to continue to apply AASB 4 and AASB 1023 until annual periods beginning on or after 1 July 2026, when they are required to apply AASB 17 • repeals AASB 1038 'Life Insurance Contracts' and Interpretation 1047 'Professional Indemnity Claims Liabilities in Medical Defence Organisations' for annual periods beginning on or after 1 January 2023, on the basis that AASB 17 applies to those periods in respect of private sector entities and the pronouncements are not relevant to public sector entities. 	<p>Public sector entities for annual reporting periods beginning on or after 1 January 2023</p>
<p>Entities' responsibilities</p> <p>To effectively implement AASB 17 and the public sector modifications entities will need to:</p> <ul style="list-style-type: none"> • understand the requirements of AASB 17 and the public sector modifications • assess whether their arrangements are insurance contracts within the scope of AASB 17 • discuss their assessment on the application of AASB 17 with the ARC and auditors • disclose the impact of AASB 17 and the associated public sector modifications in the current year's financial statements as required by AASB 108 	
<p>If the entity's arrangements are within the scope of AAAB 17, the entity should:</p> <ul style="list-style-type: none"> • consider setting-up a project team to perform a detailed assessment of the impact of AASB 17 • determine the system and information requirements they need to report under the new standard, and the changes required to existing systems and processes to meet the requirements 	

Overview	Applies to
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- develop an implementation plan
- ensure key matters are communicated to the ARC
- determine the proposed measurement model and policy positions
- discuss the proposed measurement model and policy positions with their ARC and auditors
- plan training for staff
- consider the impact on reporting to stakeholders regarding the entity's financial position and performance.

Responsibilities of ARCs and those charged with governance

ARCs and those charged with governance should:

- understand the requirements of AASB 17 and the public sector modifications
- review management's assessment of whether AASB 17 applies and the associated impact on the entity's financial statements
- ensure the impact of AASB 17 and the associated public sector amendments are disclosed in the current year's financial statements.

If the entity's arrangements are within the scope of AASB 17, ARCs and those charged with governance should:

- ensure management has adequately planned for the effective application of AASB 17
- monitor progress against the plan and against the requirements of AASB 17.

Other new financial reporting pronouncements

The following pronouncements, which may affect entity financial statements and/or annual reports, were issued¹ between 1 July 2022 and 14 April 2023.

New Australian Accounting Standards

The table below does not include accounting standards issued during the period if an overview has already been provided in the table above.

Reference/Title	Effective date	Standards amended/replaced
AASB 2022-5 'Amendments to Australian Accounting Standards –Lease Liability in a Sale and Leaseback'		
<p>The standard amends AASB 16 'Leases' to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 'Revenue from Contracts with Customers' to be accounted for as a sale.</p> <p>AASB 16 already requires a seller-lessee to recognise only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor. The amendments made by this standard ensure that a similar approach is applied by also requiring a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that does not recognise any amount of the gain or loss related to the right of use it retains.</p>	<p>Annual reporting periods beginning on or after 1 January 2024 with early application permitted.</p>	<p>AASB 16</p>

¹ Note this table only includes new standards issued and does not include compiled standards issued.

Reference/Title	Effective date	Standards amended/replaced
AASB 2022-6 'Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants'		
<p>The Standard amends AASB 101 to improve the information an entity provides in its financial statements about liabilities arising from loan arrangements for which the entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.</p> <p>The Standard also amends an example in Practice Statement 2 regarding assessing whether information about covenants is material for disclosure.</p> <p>The amendments in AASB 2022-6 are effective for annual periods beginning on or after 1 January 2024, with earlier application permitted provided AASB 2020-1 'Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current' is applied at the same time. AASB 2022-6 applies to periods beginning on or after 1 January 2023 in order to defer the revised liability classification requirements made to AASB 101 by AASB 2020-1 from 1 January 2023 to 1 January 2024.</p>	<p>Applies to annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted provided AASB 2020-1 is applied at the same time</p>	<p>AASB 101 and AASB Practice Statement 2</p>
AASB 2022-7 'Editorial Corrections to Australian Accounting Standards and Repeal of Superseded and Redundant Standards'		
<p>The Standard makes editorial corrections to various Australian Accounting Standards and AASB Practice Statement 2 'Making Materiality Judgements'.</p>	<p>Applies to annual reporting periods beginning on or after 1 January 2023.</p>	<p>AASB 7, AASB 116, AASB 124, AASB 128, AASB 134, AASB 1054 and AASB Practice Statement 2</p>

New Treasury publications²

Treasurer's directions – refer to [Treasury Website](#)

TD 19-02 'Mandatory early close as at 31 March each year'*

TD 21-04 'Gifts of Government Property'**

TD 22-10 'Amendment to TD 19-02'***

TD 22-27 'Amendment to TD 21-04 Gifts of Government Property'

TD 22-30 'Management of Cash, Banking and Payments'

TD 23-01 'Exemption from paying certain unclaimed money into the Consolidated Fund'

* Treasurer's Direction TD 19-02 was updated on 24 February 2023.

** Treasurer's Direction TD 21-04 was updated on 5 September 2022

*** Treasurer's Direction TD 22-10 was updated on 27 February 2023.

Treasury circulars – refer to [Treasury Website](#)

TC 22-14 'Commonwealth-NSW Funding Agreements'

Treasury policy and guidelines papers – refer to [Treasury Website](#)

TPG 22-04 'Submission of Business Cases'

TPG 22-11 'Agency Direction for the 2022–23 Mandatory Early Close'*

TPG 22-21 'NSW Public Private Partnership Policy and Guidelines'

TPG 22-22 'Policy and Guidelines: Evaluation'

TPG 22-23 'Agencies with Occupancy Agreements with Property NSW'

TPG 22-28 'Returns on Equity Investment'

TPG 23-03 'Financial Reporting Code for NSW General Government Sector Entities'

TPG 23-04 Mandates of options and major policy decisions under Australian Accounting Standards'

TPG 23-06 'Board Appointments for State Owned Corporations and Other Commercial Businesses'

TPG 23-08 'NSW Government Guide to Cost-Benefit Analysis'

* TPG 22-11 was updated on 27 February 2023.

Treasurer's Financial Arrangement approvals – refer to [Treasury Website](#)

Financial arrangement approval for GSF agencies to enter into a financial arrangement (derivative) under the *Government Sector Finance Act 2018*

Treasury guidance – refer to [Treasury Website](#)

FAQ Sheet – Financial Reporting under the *Government Sector Finance Act 2018*

Guidance: delegations under the *Government Sector Finance Act 2018*

TPP 21-14 'NSW Government Financial Risk Management Policy Attestation Statement'

PPP Assessment Framework – Guidance for completing a qualitative assessment on a project's PPP suitability at Strategic Business Case state to inform the Procurement Strategy

Annual Reporting Framework

² Includes pronouncements which may affect entity financial statements and/or annual reports.

Other new pronouncements by NSW public sector bodies³

Department of Premier and Cabinet (DPC) memoranda and circulars – refer to [DPC Website](#)

C2022-05 'Crown Employees (Public Sector-Salaries 2022) Award'

C2022-06 'Crown Employees Wages Staff (Rates of Pay) Award 2022'

C2022-08 'Meal Travelling and Other Allowances for 2021-22 and 2022-23'

M2022-05 'NSW Public Sector Wages Policy 2022'

M2022-06 'Information on infrastructure projects'

M2022-07 'Grants Administration Guide'

M2022-08 'Paid Parental Leave - Parent with responsibility for care associated with the birth, adoption, altruistic surrogacy or permanent out-of-home care placement for a child'

M2022-09 'Paid leave in the Event of Miscarriage, Pre-Term Birth or When Undergoing Fertility Treatment'

M2022-10 'Guidelines for the Provision of Ex-Gratia Legal Assistance for Ministers, Public Officials and Crown Employees'

M2022-11 '2023 State Election - Caretaker Conventions'

M2022-12 'Advertising in regional media'

M2022-13 'Support for Employees Experiencing Domestic and Family Violence'

Public Service Commission circulars and guides – refer to [Public Service Commission Website](#)

PSCC 2022-02 'Executive Remuneration – Determinations of the Statutory and Other Offices Remuneration Tribunal'

NSW Procurement Board directions – refer to [ProcurePoint Website](#)

PBD 2021-03 'Engagement of professional services suppliers'*

PBD 2022-02 'Engagement of infrastructure advisory services suppliers'

PBD 2022-03 'Support for flood affected communities'

* PBD 2021-03 was updated on 19 December 2022.

³ Includes pronouncements which may affect entity financial statements and/or annual reports.

OUR VISION

Our insights inform and challenge government to improve outcomes for citizens.

OUR PURPOSE

To help parliament hold government accountable for its use of public resources.