

Financial reporting issues and developments

NSW State sector agencies and universities

June 2024

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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
Responsibilities of ARCs and those charged with governance	
ARCs and those charged with governance should:	
<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
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.	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.
Specifically, for such an asset, this Standard: <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. 	

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 2022-6 'Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants'

Overview	Applies to
<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 2024. Earlier application is permitted provided AASB 2020-1 is applied at the same time.</p>

Overview	Applies to
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AASB 2023-03 'Amendments to Australian Accounting Standards – Disclosure of Non-current Liabilities with Covenants: Tier 2' amends AASB 1060 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities' for the above requirements.

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 loan agreements and any covenants in place to assess the impact on their financial statements
- 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.

Responsibilities of ARCs and those charged with governance

ARCs and those charged with governance should:

- understand the requirements of the Standard
- ensure management reviews their loan agreements and any covenants in place to assess the impact on their financial statements
- ensure the impact is disclosed in the current year's financial statements.

Issue 4: AASB 2022-9 'Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector'

Overview	Applies to
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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:

- 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
- 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'.

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

This Standard also:

- amends AASB 1050 'Administered items' to provide an accounting policy choice for government departments to apply either AASB 17 or AASB 137 in

Overview	Applies to
<p>determining the information to be disclosed about administered captive insurer activities</p> <ul style="list-style-type: none"> 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 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. 	

Overview	Applies to
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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 2023 and 14 June 2024.

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 1056 'Superannuation Entities'		
<p>The AASB first issued AASB 1056 as an Accounting Standard without reference to its authority to make Standards for the purposes of the <i>Corporations Act 2001</i> (Corps Act). This reflected that at the time superannuation entities were not required by the Corps Act or other legislation to prepare and lodge financial statements with a regulator. The AASB has now reissued AASB 1056 as a legislative instrument under section 334 of the Corps Act in response to amendments to the Corps Act that require registrable superannuation entities to prepare annual financial statements that comply with Australian Accounting Standards and lodge them on the public record with the Australian Securities and Investments Commission. Since the requirements of this Standard differ in some respects from other Australian Accounting Standards, it is necessary for this Standard to also be a legislative instrument in order to take precedence over the other Standards as necessary.</p> <p>In converting AASB 1056 into a legislative instrument, the AASB has not changed the requirements, however the following outdated requirements and material have been deleted in this version of AASB 1056:</p> <ul style="list-style-type: none"> • the application paragraph identifying the entities and financial statements to which the Standard applies (paragraph 2) – the 	<p>Annual reporting periods beginning on or after 1 July 2023 that end on or after 31 December 2023. Earlier application is permitted for periods beginning before 1 July 2023</p>	<p>AASB 1056</p>

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

Reference/Title	Effective date	Standards amended/replaced
<p>application of Standards is now set out in AASB 1057 'Application of Australian Accounting Standards'</p> <ul style="list-style-type: none"> the transitional provision (paragraph 37) that permitted an entity applying the Standard for the first time to not present a statement of financial position as at the beginning of the first comparative period – superannuation entities initially applying the reissued AASB 1056 would have prepared a statement of financial position under the original AASB 1056 section addressing the main differences between AASB 1056 and AAS 25 – as AAS 25 ceased to apply when AASB 1056 became applicable to periods beginning on or after 1 July 2016, the comparison has no continuing relevance. 		
AASB 2023-1 'Amendments to Australian Accounting Standards – Supplier Finance Arrangements'		
<p>The Standard amends AASB 107 'Statement of Cash Flows' and AASB 7 'Financial Instruments: Disclosures' to require an entity to provide additional disclosures about its supplier finance arrangements.</p> <p>The additional information will enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities, cash flows and exposure to liquidity risk.</p> <p>The amendments require an entity to disclose the terms and conditions of the arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.</p> <p>Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid. These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used by the entity to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.</p>	<p>Applies to annual reporting periods beginning on or after 1 January 2024 with early application permitted.</p>	<p>AASB 107 and AASB 7</p>
AASB 2023-2 'Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules'		
<p>The Standard amends AASB 112 'Income Taxes' to introduce:</p> <ul style="list-style-type: none"> a mandatory temporary exception to accounting for deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD); and targeted disclosure requirements to help financial statement users better understand an entity's exposure to income taxes arising from the reform, particularly in periods before legislation implementing the rules is in effect. 	<p>Applies to annual periods beginning on or after 1 January 2023 that end on or after 30 June 2023 with early application permitted.</p>	<p>AASB 112</p>

Reference/Title	Effective date	Standards amended/replaced
AASB 2023-4 'Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures'		
<p>The Standard amends AASB 1060 to require a Tier 2 entity to disclose:</p> <ul style="list-style-type: none"> that it has applied the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes (see AASB 112 paragraph 4A); and its current tax expense (income) related to Pillar Two income taxes. <p>The Standard also amends AASB 112 to extend the exemption from complying with the disclosure requirements of AASB 112 for entities that apply AASB 1060 to ensure Tier 2 entities are not required to comply with the new disclosure requirements in AASB 112 when preparing their Tier 2 financial statements.</p>	<p>Applies to annual periods beginning on or after 1 January 2023 that end on or after 30 September 2023, with earlier application permitted for any period ending before 30 September 2023, including the 2022/23 financial year.</p>	<p>AASB 1060 and AASB 112</p>
AASB 2023-5 'Amendments to Australian Accounting Standards – Lack of Exchangeability'		
<p>The Standard amends AASB 121 and AASB 1 to improve the usefulness of information provided to users of financial statements. The amendments require entities to apply a consistent approach to determining whether a currency is exchangeable into another currency and the spot exchange rate to use when it is not exchangeable.</p> <p>The Standard also amends AASB 121 to extend the exemption from complying with the disclosure requirements of AASB 121 for entities that apply AASB 1060 to ensure Tier 2 entities are not required to comply with the new disclosure requirements in AASB 121 when preparing their Tier 2 financial statements.</p>	<p>Annual reporting periods beginning on or after 1 January 2025</p>	<p>AASB 121, AASB 1, AASB 1060</p>
AASB 2024 - 1 'Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures'		
<p>This Standard amends AASB 1060 to require a Tier 2 entity to include in its financial statements the same specific disclosures that AASB 2023-1 requires in the financial statements of Tier 1 entities. Accordingly, Tier 2 entities will be required to disclose the terms and conditions of supplier finance arrangements, the carrying amount of the liabilities that are part of the arrangements, the carrying amounts of those liabilities for which the suppliers have already received payment from the finance providers, the range of payment due dates and the effect of non-cash changes.</p>	<p>Applies to annual periods beginning on or after 1 January 2024 that end on or after 30 June 2024 with early application permitted.</p>	<p>AASB 1060</p>

New Treasury publications²

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

- TD 19-02 'Mandatory early close as at 31 March each year'*
- TD 21-02 'Mandatory Annual Returns to Treasury'**
- TD 21-04 'Gifts of Government Property'***
- TD 22-15 'Amendment to TD 21-02 Mandatory Annual Returns to Treasury'
- TD 23-11 'Annual reporting requirements'
- TD 23-18 'Management of cash, banking and payments'
- TD 23-24 'SDA Account financial reports'
- TD 24-04 'Amendment to TD 19-02 Mandatory Early Close as at 31 March each year'
- TD 21-03 'Submission of Annual GSF Financial Statements for NSW public sector agencies that are not included in TD21-02'***
- TD 24-18 'Amendment to TD21-03 Submission of Annual GSF Financial Statements for NSW public sector agencies that are not included in TD21-02'
- TD 24-19 'Amendment to TD21-02 Mandatory Annual Returns to Treasury'

* Treasurer's Direction TD 19-02 was updated on 19 March 2024.

** Treasurer's Direction TD 21-02 was updated on 12 June 2024.

*** Treasurer's Direction TD 21-03 was updated on 12 June 2024.

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

- TPP 20-08 'Internal Audit and Risk Management Policy for the General Government Sector'*
- TPG 22-02 'Government Guarantee Fee Policy for Government Businesses' **
- TPG 23-10 'Annual Reporting Requirements'
- TPG 23-16 'Related Party Disclosure'
- TPG 23-17 'Disaster Cost-Benefit Framework'
- TPG 23-19 'Guidelines for Community Service Obligations'
- TPG 23-21 'Determining the present value of a provision'
- TPG 23-22 'Supplementary Guidelines: Nominee Directors for the Insurance and Care NSW Board'
- TPG 23-23 'Funding for Redundancy Payments'
- TPG 23-27 'Gender Impact Assessment Policy'
- TPG 24-01 'Management of NSW Government Payments'
- TPG 24-03 'Agency Direction for the 2023-34 Mandatory Early Close'
- TPG 24-05 'Financial Reporting Code for NSW General Government Sector Agencies'
- TPG 24-06 'Mandates of options and major accounting policy decisions under Australian Accounting Standards'
- TPG 24-08 'CFO Certification on the Internal Control Framework over Financial Systems and Information'
- TPG 24-14 'Guidance – Accounting for Bid Cost Contributions'

* TPP 20-08 was updated on 14 August 2023.

** TPG 22-02 was updated on 28 June 2023.

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

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

Annual Reporting Framework

Impact of the Delayed 2023-24 NSW State Budget on the Consideration of Going Concern

Agency List Guide

Guidance on estimating a provision for paid parental leave enhancements

Other new pronouncements by NSW public sector bodies³

Premier's Department memoranda and circulars – refer to [Premier's Department Website](#)

M2023-03 'Declared Natural Disasters – Leave Provisions and Other Information'

M2023-04 'NSW Government Fair Pay and Bargaining Policy 2023'

M2023-06 'NSW Government Workforce Mobility Placement Policy'

M2024-03 'Grants Administration Guide'

M2024-04 'Native Title administration'

M2024-05 'Improving infrastructure and investment decisions to support housing, employment and energy transition'

C2023-02 'Meal, Travelling and Other Allowances for 2023-24'

C2024-01 'Payment of fees for use of copyright material'

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

PSCC 2023-02 '2023 Executive Remuneration – Determinations of the Statutory and Other Offices Remuneration Tribunal'

PSCC 2024-03 'Declaration of private interests – supplementary information'

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

PBD 2023 'Procurement Board Direction – Interim approval process for engagement contracts with PwC*

PBD 2023-01 'Skills, Training and diversity in construction'

PBD 2023-03 'Procurement opportunities for small (and medium) businesses'

PBD-2023-04 'Mandated registration of all NSW Government suppliers on the buy.nsw Supplier Hub'

PBD-2023-05 'Engagement of professional services suppliers'

PBD-2023-06 'Engagement of professional services suppliers through the Performance and Management Services Scheme'

* Archived on 12 December 2023.

NSW Anti-slavery Commissioner guides – refer to [Communities and Justice Website](#)

'NSW Anti-slavery Commissioner's Guidance on Reasonable Steps to Manage Modern Slavery Risks in Operations and Supply-Chains'

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.