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Hot Topics and Guidance Material *(There's something for everyone here!)*

- Change in financial statement submission requirements
(Is this an option for your entity this financial year? See the article below for full details.)
- AASB 124 Related Party Disclosures – [Your Questions Answered](#)
(Answers to all your questions raised in seminars, workshops and audit committee meetings!)
- [Local Government Model Accounts for 30 June 2017](#)
(Now available in Word and Excel.)
- [Model Departmental Financial Statements for 30 June 2017](#)
(Available from the Department of Treasury and Finance.)
- [Slides from our Seminar, Information Sessions and other Workshops this year](#)
(Slides from all our recent presentations are available for review at your leisure. Topics included important accounting developments, disclosure of related part transactions, significant pending accounting standards, ethical leadership, culture and financial risks.)
- [Guidance on determining Council Operating Surpluses](#)
(Prepared in conjunction with the Local Government Division, this guidance is for Councils in determining their underlying result. What's in and what's excluded!)
- Enhanced Auditor Reporting
(When will your entity be impacted? See the article below for full details.)

Change in Financial Statement Submission Requirements

In consideration of the ever increasing pressure on entities in completing financial statements within the 45 days required under the *Audit Act 2008* (the Act), and to alleviate the need for financial statements to be re-signed by the accountable authority following amendments to them after their initial submission, we are trialling a change in submission requirements this year.

Presently under Section 17 of the Act, statements are required to be:

- submitted within 45 days of the end of the financial year
- complete in all material respects
- signed and dated by the accountable authority, (i.e. Head of Agency, Board, General Manager etc...).

Entities that have established procedures in place and are content with the current approach need not change.

Option for Management Certification at Time of Submission

This year we are providing the option for entities to submit financial statements accompanied by a management certification, signed by a suitably senior finance officer responsible for financial reporting, (such as the Chief Financial Officer or equivalent). Mandatory wording required for the management certification is **available under Client Downloads on our website**.

The financial statements are still required to be complete in all material respects and must submitted within 45 days of the end of the financial year.

Following the completion of our audit and before the opinion is issued, the financial statements will still need be signed and dated by the accountable authority.

Mandatory Financial Statements Preparation and Submission Checklist

We have also introduced a requirement for the Financial Statements Preparation and Submission Checklist to be submitted with the financial statements. This Checklist is also available under **Client Downloads on our website**.

Should you wish to discuss the financial statement submission requirements, please feel free to contact your audit engagement leader at your earliest convenience.

Enhanced Auditor Reporting

The enhanced auditor reporting requirements in **ASA 701 'Communicating Key Audit Matters in the Independent Auditor's Report'** applies to audits of financial reports ending on or after 15 December 2016.

ASA 701 prescribes the form and content of key audit matters (KAMs). KAMs are 'those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. Key audit matters are selected from matters communicated with those charged with governance'. KAMs are mandated for listed entities but optional for all other entities. In Tasmania, we have applied this new long form reporting to the University of Tasmania for the 31 December 2016 and applying it to all Government Businesses for 30 June 2017. In the following years we intend to expand this to include Departments in 2018, and Local Government and other State entities in 2019.

In determining which KAMs to report in the Independent Auditor's Report, the auditor will consider:

- significant risks identified
- significant management judgements such as accounting estimates with high estimation uncertainty
- the effect of significant events of transactions on the audit.

Enhanced Auditor Reporting FAQs

The Auditing and Assurance Standards Board has compiled a list of frequently asked questions (**Auditor Reporting FAQs**) to help auditors, directors, audit committee members, chief financial officers and other stakeholders understand enhanced auditor reporting requirements.

2017 Information Session for Members of Audit Committees and Senior Management



This year we had a “Risk” theme for our annual June Information Session to Members of Audit Committees held at the Tattersalls Park Function Centre in Hobart. We covered the a variety of topics including culture and conduct, financial risk, ethical leadership and culture, along with a high level review of accounting and auditing developments. We wound up the day with a discussion panel session on managing risk.

You can view or download the presentation slides from our website under [Client Downloads](#).

The proposed date to book in your calendar for our Session next year in Hobart is 20 June 2018, between 12.30pm – 5.00pm

(Image: Guest Speaker Dr Eva Tsahuridu, Manager – Accounting Policy & Policy Adviser - Professional Standards and Governance, CPA Australia. Discussing Ethical Leadership and Culture.)

2017 Annual Client Information Sessions

TAO provides updates on financial reporting issues for all our clients, particularly chief financial officers and finance managers. Events were held in May at the Tattersalls Park Function Centre at Elwick in Hobart and the Devonport Entertainment & Convention Centre.

We covered a variety of topics including enhanced auditor reporting, use of experts, recent findings, related parties (AASB 124), revenue (AASB 15 & 1058), leases (AASB 16), financial instruments (AASB 9) and recent performance audits.

You can view or download all the presentation slides from our website under [Downloads](#).

Proposed dates and times to book in your calendar for our 2018 Client Information Sessions are:

- Launceston 7 June 2018 10.30am – 3.00pm
- Hobart 8 June 2018 12.30pm – 5.00pm

ASIC Announces Focus Areas for 30 June 2017 Financial Reports

The Australian Securities and Investment Commission (ASIC) has announced the focus areas for its Financial Reporting Surveillance Program for 30 June 2017 financial reports and called on preparers to focus on giving users of financial reports useful and meaningful information in a recent [media release](#).

ASIC Commissioner John Price, said 'as with previous reporting periods, directors and auditors should focus on values of assets and accounting policy choices. ASIC continues to see companies use unrealistic assumptions in testing the value of assets or apply inappropriate approaches in areas such as revenue recognition'.

Although the ASIC surveillance program is targeted at ASX listed entities and other entities with multiple stakeholders, the focus areas are common sources of judgement and error and are also relevant to entities in the public sector, notably:

- impairment testing and asset values
- revenue recognition
- expense deferral
- off-balance sheet arrangements
- tax accounting
- estimates and accounting policy judgements
- impact of new revenue, financial instrument, lease and insurance standards.

Proposed narrow scope amendments to AASB 116 'Property, plant and equipment'

The Australian Accounting Standards Board (AASB) recently issued Exposure **Draft ED 280 Property, Plant and Equipment – Proceeds before Intended Use** proposing narrow-scope amendments to AASB 116 'Property, Plant and Equipment'. ED 280 was issued following the release of ED/2017/4 *Property, Plant and Equipment – Proceeds before Intended Use* by the International Accounting Standards Board's (IASB).

Entities may produce items as a result of testing newly purchased and installed plant and equipment. The proposals will prohibit deducting sale proceeds from the cost of bringing an item of property, plant and equipment to the location and condition necessary for it operate in the manner intended by management. Instead an entity would recognise such sale proceeds in the profit or loss.

Comments are due to the AASB by 18 September 2017 and the IASB by 19 October.

Accounting, Auditing, Ethics, ASIC and ACNC Updates

Australian Update – Australian Accounting Standards Board (AASB)

AASB Meeting Highlights – 27 June 2017

Topics discussed by the AASB at its meeting included:

- Licences
- Australian Financial Reporting Framework – NFP
- Benchmarking
- Service Concession Arrangements: Grantors
- Tax Disputes
- Insurance
- Academic Presentation: SME Reporting in Australia.

Latest **news** from the AASB included:

- End of an era (29 June 2017)
- More companies should report on tax liabilities (4 July 2017)
- AASB Provisional Strategy available for public comment (6 July 2017)
- Updated AASB work program as at 14 July 2017 (14 July 2017).

The AASB has recently **issued**:

- Exposure Draft – ED 280 Property, Plant and Equipment – Proceeds before Intended Use June 2017 – Open for comment.

International Update – International Accounting Standards Board (IASB)

IASB Meeting Highlights – 21/22 June 2017

Topics discussed included:

- Conceptual Framework
- Accounting Policies and Accounting Estimates (Proposed amendments to IAS 8)
- Primary Financial Statements
- Rate-regulated Activities
- IFRS Implementation Issues
- Prepayment Features with Negative Compensation (Proposed amendments to IFRS 9)
- Dynamic Risk Management (Education Session)
- Definition of a Business.

IASB Podcasts

Recent podcasts released by IASB include:

- June 2017.

Latest **news** from the IASB included:

- IASB proposes amendments to IAS 16 to reduce diversity in practice (20 June 2017)
- How are IFRS Standards developed? (26 June 2017)
- June 2017 IFRS for SMEs Update published (28 June 2017)
- FSB urges insurers to start implementation of IFRS 17 as soon as possible (17 July 2017).

International Update – International Financial Reporting Standards (IFRS) Foundation

IFRS Interpretations Committee Highlights – 13 June 2017

The Committee's tentative agenda decisions:

- IFRS 3 – Acquisition of a group of assets that does not constitute a business
- IAS 28 – Acquisition of an associate or joint venture from an entity under common control
- IAS 37 – Costs considered in assessing whether a contract is onerous.

The Committee's agenda decisions:

- IAS 19 – Discount rate in a country that has adopted another country's currency
- IAS 32 – Centrally cleared client derivatives
- IAS 33 – Tax arising from payments on participating equity instruments
- IAS 41 – Biological assets growing on bearer plants.

International Update – International Federation of Accountants (IFAC)

Recent **news** by IFAC included:

- Capacity Building in Context: Insights from the PAO Development Committee (28 June 2017)
- New International Public Sector Financial Accountability Index to Stimulate PFM Reform (13 July 2017).

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

IPSASB Meeting Highlight – 27-30 June 2017

The Board discussed the following topics:

- Revenue and non-exchange expenses
- Public sector specific financial instruments and measurement
- Social benefits
- Leases.

IPSASB has recently **issued** the following:

- IPSASB Staff Podcast on Materiality (21 June 2017)
- IPSASB June 2017 Meeting Highlights Podcast (14 July 2017).

Australian Update – Auditing and Assurance Standards Board (AUASB)

Latest **news** from the AUASB included:

- Audit Committees: A guide to good practice, 3rd Edition (29 June 2017)
- Auditor Responsibility Statements updated (29 June 2017)
- Auditor Reporting Requirements now in effect (29 June 2017)
- AUASB Provisional Strategy available for public comment (6 July 2017).

AUASB has recently **issued**:

- ASA 2017-1 Amendments to Australian Auditing Standards.

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

IAASB Meeting Highlights – 19-22 June 2017

Topics discussed:

- Quality Control – Firm and Engagement Level
- Emerging External Reporting
- Quality Control – Consideration of Networks
- Group Audits
- Data Analytics
- Professional Scepticism.

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

IESBA Meeting Highlights – 19-21 June 2017

Topics discussed:

- Inducements, including gifts and hospitality
- Safeguards
- Fees
- Professional scepticism

Australian Securities and Investments Commission (ASIC)

Recent **regulatory guides** released:

- RG 260 Communicating findings from audit files to directors, audit committees or senior managers (23 June 2017).

Recent **information sheets** released:

- INFO 222 Improving and maintaining audit quality (29 June 2017)
- INFO 223 Audit quality – The role of others (29 June 2017)
- INFO 224 ASIC audit inspections (29 June 2017).

Recent **reports** released:

- REP 533 Response to submissions on CP 265
- Communicating audit findings to directors, audit committees or senior managers (23 June 2017)
- REP 534 Audit inspection program report for 2015-16 (29 June 2017).

Recent **speeches** released:

- Productivity Commission Inquiry into the state of competition in the Australian financial system: Roundtable – ASIC Opening Statement (29 June 2017)
- Global regulatory coordination and the value of global forums in a period of rapid change (9 July 2017).

ASIC **Media Releases**:

- 17-191MR ASIC reports on decisions to cut red tape – October 2016 to March 2017 (20 June 2017)
- 17-200MR Communicating ASIC's findings from audit files (23 June 2017)

- 17-214MR ASIC's inspection of audits for 2015-16 (29 June 2017)
- 17-219MR ASIC review of 31 December 2016 financial reports (30 June 2017).

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

Recent ACNC **releases**:

- Charities warned: submit your 2016 AIS now (23 June 2017)
- Supporting those that support us: red tape cut for charities (29 June 2017)
- ACNC releases new guidance on board remuneration (12 July 2017).

New Publications

Tasmanian Audit Office (TAO)

- Report of the Auditor-General No. 13 of 2016-17- Gambling revenue and managing harm from gambling (22 June 2017)
- Annual Plan of Work 2017-18 (22 June 2017).

Australian National Audit Office (ANAO)

- Pesticide and Veterinary Medicine Regulatory Reform (22 June 2017)
- Department of Health's Co-ordination of Communicable Disease Emergencies (22 June 2017)
- Review of ANAO better practice guides (26 June 2017)
- Implementation of the Annual Performance Statements Requirements 2015-16 (26 June 2017)
- myGov Digital Services (27 June 2017)
- Interim Report on Key Financial Controls of Major Entities (28 June 2017)
- Procurement of the National Cancer Screening Register (29 June 2017)
- Malabar Headland: 2016 Lease between the Commonwealth of Australia and the New South Wales Rifle Association (30 June 2017)
- Accounting and Reporting of Australia's Greenhouse Gas Emissions Estimates and Projections (10 July 2017)
- Defence's Management of Materiel Sustainment (11 July 2017)
- Supporting Good Governance in Indigenous Corporations (12 July 2017)
- Jobactive: Design and Monitoring (12 July 2017).

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

- Border security: Using information to process passengers (16 June 2017)
- The Auditor-General's strategic intentions to 2025 (22 June 2017)
- Annual Plan 2017/8 (26 June 2017).

Australian Capital Territory Auditor-General's Office (ACT AGO)

- Mental Health Services – Transition from Acute Care (23 June 2017)
- Public Housing Renewal Program (27 June 2017).

Useful Resources

Commonwealth Government Treasury

Recent **media releases**:

- Superannuation Guarantee Non-compliance (14 July).
- Independent Pricing & Regulatory Tribunal (IPART)

Independent Pricing & Regulatory Tribunal (IPART)

IPART's **papers/reports** included:

- Compliance Statement – 2017/18 fares for Opal services – June 2017 (23 June 2017)
- Final Report – Prices for wholesale water and sewerage services – June 2017 (30 June 2017)
- Final Determination – Sydney Water Corporation – June 2017 (30 June 2017)
- Final Determination – Hunter Water Corporation – June 2017 (30 June 2017) Review of WACC methodology – 4 July 2017 (4 July 2017).

Contacts

The Chief Operating Officer and/or the relevant Director/Assistant-Auditor-General are usually your first point of contact for the application of financial audit queries on the general office number: (03) 6173 0900.

The Assistant Auditor-General, Performance Audit Services, may be contacted for performance or compliance audit queries on the general office number: (03) 6173 0900.

Ric De Santi, Chief Operating Officer

Jeff Tongs, Director Technical and Quality

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Acronyms and Abbreviations (Link)

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The Tasmanian Audit Office gratefully acknowledges the Audit Office of NSW for permitting us to share the link to their **Professional Update newsletter**.