

IN THIS ISSUE



TABLE OF CONTENTS

- The AASB releases FAQs on AASB15, 1058 and 16
- ASIC announces findings from 31 December 2017 financial reports
- Final report on the Australian Charities and Not-for-profits Commission Legislation Review
- Accounting Updates
- Auditing Updates
- Ethics Updates
- ASIC, ACNC and ACAG Updates
- TAO Reports
- Contacts

The AASB releases FAQs on AASB15, 1058 and 16

The Australian Accounting Standards Board (AASB) released the first series of the **AASB Staff frequently asked questions** (FAQs) which addresses questions specific to not-for-profit entities (NFP) in relation to AASB 15 'Revenue from Contracts with Customers', AASB 1058 'Income of Not-for-Profit Entities' and AASB 16 'Leases'.

The FAQs are expected to be updated as more staff FAQs are drafted. To date, the FAQs help entities determine:

- the mandatory application dates of AASB 9 'Financial Instruments', AASB 15, AASB 16 and AASB 1058
- the relevant Australian accounting standards applicable to the recognition of income and revenue by NFP entities
- the impact of early adopting the above standards
- when a NFP entity's revenue will be within the scope of AASB 15
- the relevant standard to apply and timing of revenue recognition for grants received for research activities.

ASIC announces findings from 31 December 2017 financial reports

In July 2018, the Australian Securities and Investments Commission (ASIC) released **18-203MR 'Findings from 31 December 2017 financial reports'**, highlighting the results from its review of 90 listed and other public interest entities. The table below summarises the key findings from the review:

Areas of focus and findings from the 31 December 2017 financial reports:

- **New accounting standards:**
Most entities had not quantified the impact of the new standards for revenue recognition and financial instrument valuation which indicates a lack of preparedness for reporting under the new standards.

- **Revenue recognition:**
Matters concerning the recognition of revenue included fee income recognition and cases where revenue appears to have been recognised before the provision of the relevant goods or services.
- **Asset values and impairment testing:**
Concerns with determining the carrying amount of cash generating units, reasonableness of cash flows and assumptions, use of fair value, impairment indicators and disclosures.
- **Tax accounting:**
Concerns with the correct application of tax legislation, timing of entering into certain commercial arrangements, recoverability of deferred tax assets and relevant disclosures.
- **Amortisation of intangibles:**
Concerns with the period over which the assets are amortised.
- **Classification of liabilities as non-current:**
Concerns with the appropriateness of the classification of liabilities.
- **Business combinations:**
Concerns with the measurement of business combination transactions.
- **Estimates and accounting policy judgements:**
Concerns over the quality and completeness of disclosures in relation to estimates, such as key assumptions, reasons for judgements, alternative treatments, and appropriate quantification.

Final report on the Australian Charities and Not-for-profits Commission Legislation Review

On 22 August 2018, the Australian Government Treasury's final report '**Strengthening for Purpose: Australian Charities and Not-for-profits Commission Legislation Review**' (the Report) was tabled in Parliament. The review of the *Australian Charities and Not-for-profits Commission Act 2012* (Cth) and the *Australian Charities and Not-for-profits Commission (Consequential and Transitional) Act 2012* (Cth) (the Acts) was designed to:

- examine the extent to which the objects of the Acts continue to be relevant
- assess the effectiveness of the provisions and regulatory framework established by the Acts
- consider whether the powers and the functions of the Commissioner are sufficient to enable these objects to be met
- consider whether any amendments to the Act are required to enable the achievement of the objects and to equip the Commissioner to respond to both known and emerging issues.

The Report made 30 recommendations which included short term actions to address the challenges and concerns emerging for the sector, coupled with the long term aim of moving towards a national scheme for the sector which requires a referral of powers by the states to the Commonwealth.

Accounting Updates

Australian Update – Australian Accounting Standards Board (AASB)

Topics discussed included:

AASB Meeting Highlights – 4 September 2018

- Revenue from Licences Issued by not-for-profit Public Sector Licensors
- Conceptual Framework – Securitisation Funds and Public Accountability
- Conceptual Framework – Consequential Amendments
- Effective Date of AASB 1059 *Service Concession Arrangements: Grantors*
- AASB 17 *Insurance Contracts* for the Public Sector
- Financial Instruments with Characteristics of Equity
- Research Activities – Conceptual Framework and Extractive Industries
- Climate-related Disclosures

AASB Meeting Highlights – 14 August 2018

- Revenue from Licences Issued by not-for-profit Public Sector Licensors

- The impact of the AASB's revised Conceptual Framework proposals on not-for-profit private sector entities

Latest **news**, **accounting standards** and **publications** documents from the AASB included:

- ASIC supports the AASB's consultation to remove special purpose financial statements - consultation paper (13 September 2018)
- Fatal-flaw review draft: Proposed Standard Amendments to Australian Accounting Standards – Deferral of AASB 1059 - News (10 September 2018)
- AASB 2018-4 Implementation Guidance for Not-for-Profit Public Sector Licensors – applies to annual periods beginning on or after 1 January 2019. Earlier application is permitted - Accounting standards (5 September 2018)
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements – effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted - Accounting standards (21 August 2018)
- The FRC releases its Position Statement on External Reporting - News (20 August 2018)
- Invitation to Comment: ITC 41 The AASB's Approach to International Public Sector Accounting Standards – comments due by 30 November 2018 - Accounting standards (7 August 2018)
- New AASB Staff FAQ for Not-for-Profit Entities* - Accounting standards (1 August 2018)
- Invitation to Comment: ITC 40 Financial Instruments with Characteristics of Equity – comments due by 26 November 2018 - Accounting standards (4 July 2018)

* For more information, please refer to AASB topic heading above.

International Update – International Accounting Standards Board (IASB)

Topics discussed included:

IASB Meeting Highlights – 17-18 July 2018

- Rate-regulated Activities
- Management Commentary
- Business Combinations under Common Control
- Conceptual Framework
- IFRS Implementation Issues
- Goodwill and Impairment
- Disclosure Initiative
- Accounting Policies and Accounting Estimates
- Emerging Economies Group update

International Update – International Financial Reporting Standards (IFRS) Foundation

Latest **news** from the IFRS Foundation included:

- Check the numbers: Accounting information still matters to you, me and investors around the world (16 August 2018)

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

Recent **news** from the IPSASB included:

- IPSAS 41 Released to Improve Financial Instruments Reporting (14 August 2018)

IPSASB has recently **issued**:

- Exposure Draft 66 *Long-term Interests in Associates and Joint Ventures (Amendments to IPSAS 36) and Prepayment Features with Negative Compensation (Amendments to IPSAS 41)* – comments due by 22 October 2018 (22 August 2018)
- IPSAS 41 Financial Instruments (14 August 2018)

Auditing Updates

Australian Update – Auditing and Assurance Standards Board (AUASB)

Topics discussed included:

AUASB Meeting Highlights – 31 July 2018

- Explanatory Guide – Exposure Drafts for ASA 315 & ASA 540
- ED 01/18 & 02/18 - ASA 315 *Identifying and Assessing the Risks of Material Misstatement*
- ED 03/18 & 04/18 - ASA 540 *Auditing Accounting Estimates and Related Disclosures*
- Release of EDs 01/18, 02/18, 03/18 & 04/18

Latest **news** from the AUASB included:

- AUASB-NZAuASB Webinar: ASA 315 Exposure Draft – recording and presentation available (20 August 2018)
- The FRC releases its Position Statement on External Reporting (20 August 2018)
- AUASB Submission to the Monitoring Group (27 July 2018)

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

Topics discussed included:

IAASB Meeting Highlights – 7 August 2018

- Agreed-Upon Procedures Engagements

IAASB Meeting Highlights – 17 July 2018

- ISA 315 (Revised) – including proposed Conforming and Consequential Amendments to ISA 540 (Revised)

Ethics Updates

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

Latest **news** and **media releases** from the APESB included:

- APESB's submission to IESBA on Professional Scepticism – Meeting Public Expectations (23 August 2018)
- APESB's submission to IESBA on Proposed Strategy and Work Plan, 2019 – 2023 (24 July 2018)
- Proposed revisions to APES 220 Taxation Services (9 July 2018)
- Proposed revisions to Inducements complete Code of Ethics restructure – comments were due by 10 August 2018 (9 July 2018)

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

Latest **publication** from the IESBA included:

- 2018 Handbook of the International Code of Ethics for Professional Accountants (14 August 2018)

ASIC, ACNC and ACAG Updates

Australian Securities and Investments Commission (ASIC)

Recent **speeches** included:

- ASIC's strategic focus and key priorities over the next year: Improving conduct and restoring trust (4 September 2018)
- How financial services firms can act to meet community expectations through transparency and accountability (17 July 2018)

- ASIC's approach to innovation (3 July 2018)

Recent **media releases** included:

- 18-237MR ASIC's latest enforcement report highlights outcomes from the first half of 2018 (9 August 2018)
- 18-203MR Findings from 31 December 2017 financial reports* (5 July 2018)

* For more information, please refer to ASIC topic heading above.

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

Recent **media releases** included:

- Red tape cut for NSW charities (10 September 2018)

Australasian Council of Auditors-General (ACAG) submissions to AASB

ACAG recently made submissions on:

- AASB ITC 39 Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems (Phase 1) (9 August 2018)
- Exposure Draft 64 Leases (2 July 2018)

TAO Reports

Tabled reports in 2018-19 so far:

- [Follow up of selected Auditor-General reports – March 2015 to May 2015](#)
- [Annual Plan of Work 2018-19](#)

Auditor-General's Report on the Financial Statements of State entities

- Volume 4:
[State entities 30 June and 31 December 2017](#)

Contacts

The Deputy Auditor-General 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.

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