

Tasmanian Audit Office

# ACCOUNTING & AUDITING DEVELOPMENTS

Newsletter

November-December 2016

## PERFORMANCE AUDIT REPORTS

Report of the Auditor-General No. 4 of 2016-17: Event Funding



Report of the Auditor-General No. 5 of 2016-17: Park management

## FINANCIAL AUDIT REPORTS

Report of the Auditor-General No. 6 of 2016-17: Volume 1 - Analysis of the Treasurer's Annual Financial Report, General Government Sector Entities and the Retirement Benefits Fund 2015-16



Report of the Auditor-General No. 7 of 2016-17: Volume 2 - Government Businesses 2015-16

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Report of the Auditor-General No. 8 of 2016-17: Auditor-General's Report on the Financial Statements of State entities; Volume 3 - Local Government Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2015-16



These reports can be found on the publications page of our website.

# HOT TOPIC 1: ACAG responds to the AASB's Fatal Flaw Review of AASB 10XX and the guidance to AASB 15

The Australasian Council of Auditors-General Financial Reporting and Auditing Committee (ACAG FRAC) recently responded to Exposure Draft – Fatal Flaw Review Drafts – Income of Not-for-Profit Entities (AASB 10XX and AASB 2016-X).

The ACAG FRAC supported the proposed income standard for not-for-profit entities (AASB 10XX) and the implementation guidance and illustrative examples for AASB 15 Revenue from Contracts with Customers (AASB 2016-X).

Although no fatal flaws were identified, the ACAG FRAC recommended:

- clearer and more specific definitions
- clarifying principles within the examples
- adding detail to the examples to provide a rationale of how the criteria were met or a conclusion was reached
- consistent wording and principles within and across examples.

The comment period for this review closed in October 2016. All submissions, including the ACAG FRAC's submission, can be viewed on the AASB website 'Work in progress – open for comment'.

## Hot Topic 2: Preventing Insider Fraud

Cases of reported fraud across public and private sectors are on the rise, and agencies should ensure they have risk management frameworks with mechanisms to identify threats and protect against loss.

A 2016 global fraud study conducted by the Association of Certified Fraud Examiners explores the costs, methods, perpetrators and victims of occupational fraud. Its [2016 Report to the Nations on Occupational Fraud and Abuse](#) analyses 2410 cases of occupational fraud in 114 countries, resulting in total losses of more than \$6.3 billion. According to the survey:

- organisations with anti-fraud control measures detected fraud 50 per cent faster and suffered losses 54 per cent over than organisations without them
- billing schemes and cheque tampering posed the greatest risk in terms of frequency and median loss
- lack of internal controls is the most strongly correlated organisational weakness associated with fraud (29.3 per cent)

- override of controls is the second most strongly correlated organisational weakness (20 per cent)
- the higher the perpetrator's level of authority, the bigger the fraud (median executive fraud \$703,000; median employee fraud \$65,000)
- the longer a fraud lasts, the greater the financial damage, with those lasting five years causing median losses of \$850,000
- different organisations are exposed to different fraud risks
- anti-fraud controls significantly lower fraud occurrences and median losses
- anti-fraud control measures entities have most commonly implemented are external audits, codes of conduct and management certifications of the financial statements
- the most effective fraud controls are whistle-blowers and formal fraud reporting mechanisms such as telephone hotlines, emails or web-based applications.

## ACCOUNTING UPDATE

### Australian Update – Australian Accounting Standards Board (AASB)

[AASB Meeting Highlights – 14 November 2016](#)

The AASB Board made key decisions in relation to the draft standards on:

- Income of Not-for-Profit Entities.

Latest news from the AASB included:

- IFRS adoption in Australia – are we heading in the right direction? (26 October 2016)

### International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 14 to 16 November 2016](#)

Topics discussed:

- Disclosure Initiative: Materiality Practice Statement
- Conceptual Framework
- Primary Financial Statements

- Maintenance of IFRS Standards
- Financial Instruments with Characteristics of Equity
- Insurance Contracts

### IASB Podcasts

Recent podcasts released by IASB include:

- October 2016 IASB meeting.

Latest [news](#) from the IASB included:

- International Accounting Standards Board reveals its 'to-do list' for the next five years (2 November 2016).

### International Update – International Federation of Accountants (IFAC)

Recent news by IFAC included:

- Accountancy Has a Major Role to Play in UN Global Goals Attainment (9 November 2016)
- Accountancy Profession Critical in Fight Against Fraud and Corruption (17 November 2016).

## AUDITING UPDATE



### Australian Update – Auditing and Assurance Standards Board (AUASB)

AUASB Teleconference Highlights – 25 October 2016

Topics discussed:

- ASAE 3500 Performance Engagements Project Update
- ASAE 3100 Compliance Engagements Projects Update
- Auditor Reporting FAQs approval
- ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report
- Audit Committee Guide
- Other Business.

Latest news from the AUASB included:

- AUASB published a set of FAQs to help auditors comply with the enhanced auditor reporting requirements that come into effect for 31 December 2016 year ends.

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

Latest releases from the IAASB included:

- Call for Nominations for the Independent Standard-Setting Boards in 2018 (1 November 2016).

IAASB Teleconference Highlights – 1 November 2016

- ISA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures.

### International Update – International Accounting Education Standards Board (IAESB)

IAESB Meeting Highlights – 2-4 November 2016

- Strategy and Work Plan
- Approval of the Project Proposal to Revise the IES 7
- Continuing Profession Development (CPD) Revision Project
- Upcoming meetings information.

## ETHICS UPDATE



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

Latest news from the APESB:

- eNews: Professionalism (15 November 2016).

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

The IESBA recently released:

- IESBA eNews: September 2016 Meeting Highlights; New NOCLAR Video Q&As (28 October 2016).

## OTHER UPDATES



### Public Accounts Committee (PAC)

Inquiries

The PAC has recently commenced inquiries into:

- Inquiry into the Management of Health Care Delivery in NSW (17 November 2016).

### Office of Local Government (OLG)

The OLG has recently issued the following council circulars:

- 16-41 Annual Code of Conduct Complaints Reporting (25 October 2016)
- 16-42 Review of the Model Code of Conduct and Procedures for the Administration of the Model Code of Conduct (3 November 2016)
- 16-43 Responsible Pet Ownership Grants Program – Successful Applicants in Year Three (8 November 2016)
- 16-44 Election Timing and Cycle of Council Elections (18 November 2016).

Recent media and Ministerial media releases:

- Media release – Central Darling Shire, Oberon and Lithgow City Councils put on notice (11 November 2016)
- Ministerial media release – Office of Local Government Statement on Oberon Council Notice of Intention (21 November 2016).

### Australian Securities and Investments Commission (ASIC)

Recent speeches released:

- Driving better consumer outcomes in the era of big data and artificial intelligence (3 November 2016)
- Innovation and regulation (11 November 2016).

ASIC media releases included:

- 16-369MR ASIC 2015-16 Annual Report tabled (31 October 2016)
- 16-373MR ASIC releases market integrity report (3 November 2016).

## NEW PUBLICATIONS



### Australian National Audit Office (ANAO)

- National Rental Affordability Scheme – Administration of Allocations and Incentives (7 November 2016)
- National Disability Insurance Scheme – Management of Transition of the Disability Services Market (9 November 2016)
- The Shared Services Centre (9 November 2016).

### Audit Office of New South Wales (AO NSW)

- Volume Five 2016 Report on State Finance, Services and Innovation (including Insurance) (10 November 2016)
- Volume Six 2016 Report on Family and Community Services (17 November 2016)
- Volume Seven 2016 Report on Justice (24 November 2016)
- Volume Eight 2016 Report on Premier and Cabinet (29 November 2016)
- Volume Nine 2016 Report on Transport (1 December 2016).
- Government Advertising 2015-16 (27 October 2016)
- Implementation of the NSW Government's program evaluation initiative (3 November 2016)
- CBD and South East Light Rail Project (30 November 2016)

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

- Inquiry into the Saudi Arabia Food Partnership (26 October 2016).

### Queensland Auditor-General's Office (QAO)

- Follow-up: Monitoring and reporting performance (Report 3: 2016–17) (9 November 2016).

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

- Supplementary Report for the year ended 30 June 2016: Security management of information systems: November 2016 (15 November 2016).

### Tasmanian Audit Office (TAO)

- Annual Plan of Work 2016–17 (1 November 2016)
- Report of the Auditor-General No. 3 of 2016–17: Annual Report 2015-16 (1 November 2016)
- Report of the Auditor-General No. 4 of 2016–17: Event funding (15 November 2016)
- Report of the Auditor-General No. 5 of 2016–17: Park management (15 November 2016)
- Report of the Auditor-General No. 6 of 2016–17: Auditor-General's Report on the Financial Statements of State Entities Volume 1 Analysis of the Treasurer's Annual Financial Report, General Government Sector Entities and the Retirement Benefits Fund (17 November 2016)
- Report of the Auditor-General No. 7 of 2016–17: Auditor-General's Report on the Financial Statements of State Entities Volume 2 - Government Businesses 2015-16 (17 November 2016).
- Report of the Auditor-General No. 8 of 2016–17: Auditor-General's Report on the Financial Statements of State Entities Volume 3 - Local Government Authorities and Tasmanian Water and Sewerage Corporation Pty Ltd 2015-16 (15 December 2016).

### Victorian Auditor-General's Office (VAGO)

- Efficiency and Effectiveness of Hospital Services: Emergency Care (2016-17:4) (26 October 2016)
- High Value High Risk 2016-17: Delivering HVHR Projects (2016-17:5) (26 October 2016)
- Security of Critical Infrastructure Control Systems for Trains (2016-17:6) (9 November 2016)
- Financial Systems Controls Report: 2015-16 (2016-17:7) (9 November 2016).

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

- Audit Results Report – Annual 2015–16 Financial Audits (Report 24) (9 November 2016)
- Opinion on Ministerial Notification (Report 25) (9 November 2016).

## OTHER UPDATES



### Australian Prudential Regulation Authority (APRA)

Recent APRA [media releases](#) included:

- APRA releases enhanced governance requirements for superannuation trustees (3 November 2016)
- APRA releases superannuation statistics for September 2016 (22 November 2016).

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

Recent ACNC media releases included:

- How many is too many? ACNC discusses the number of charities in Australia (25 October 2016)
- New resource to help charities report (27 October 2016)
- Certainty for the sector: ACNC releases 2015–16 annual report (28 October 2016)
- Making it easier for charities to report (21 November 2016).

Stay up to date with the Tasmanian Audit Office.

Copies of our reports and publications can be found at:  
[www.audit.tas.gov.au/publications](http://www.audit.tas.gov.au/publications)





## Commonwealth Government Department of the Environment and Energy

The Department of the Environment and Energy's recent releases:

- Land and sea transport update – consultation (25 October 2016)
- Intergovernmental Panel on Climate Change – Call for author nominations for the Special Report 'Global Warming of 1.5°C'
- Congratulations to Charles Sturt University (11 November 2016)
- Overview of the Emissions Reduction Fund components available (14 November 2016)
- Eligible interest holder consent update from the Clean Energy Regulator (14 November 2016)
- Savanna fire management draft methods – released for public consultation (14 November 2016)
- Draft amendments to the Carbon Credits (Carbon Farming) Amendment Rule 2015 open for public consultation (14 November 2016).

## Independent Commission Against Corruption (ICAC)

- ICAC recent releases:
- Statement regarding the Independent Commission Against Corruption Amendment Bill 2016 (15 November 2016)
- Department of Justice officers and contractors found corrupt (22 November 2016).

## Productivity Commission

The Productivity Commission's recent releases included:

- Australia's New Data Framework puts Consumers in Control (3 November 2016).

The Productivity Commission's recent speeches:

- Productivity, Innovation and Review of the Workplace Relations Regulatory Framework (4 November 2016).

## Independent Pricing & Regulatory Tribunal (IPART)

IPART has released the following papers/reports:

- Draft Report – Prices for wholesale water and sewerage services – SWC and HWC (1 November 2016)
- Draft Determination – Hunter Water Corporation (1 November 2016)
- Draft Determination – Sydney Water Corporation (1 November 2016)
- Draft Decision – RailCorp compliance with the NSW Rail access undertaking for 2014-15 (11 November 2016)
- Decision – TfNSW – Country Regional Network – 2015/16 (16 November 2016)
- IPART Annual Report 2015-16 (18 November 2016)

- Annual Report – Report on IPART's functions in relation to local government 2015-16 – October 2016 (18 November 2016).

IPART media releases:

- Media Release – Broken Hill Water and sewerage services price review deferred – 14 November 2016 (14 November 2016).

## Australian Competition & Consumer Commission (ACCC)

ACCC media releases included:

- ACCC Chairman discusses the increasing concentration in Australia's economy (27 October 2016).

Institute of Public Administration Australia (IPAA)

- IPAA announces its 2016 Fellows – 20 October 2016 (20 October 2016).

## Association of Superannuation Funds of Australia (ASFA)

- Joint Media Release: Insurance in Superannuation Industry Working Group (2 November 2016)
- Pass super tax changes to provide certainty and confidence (9 November 2016)
- Consumers think super is pretty super but they want more – new AFSA research released (10 November 2016)
- ASFA Annual General Meeting: Board announced (10 November 2016).

## Water Accounting Standards Board (WASB)

The WASB published:

- enGuage Newsletter (October 2016)

# ACRONYMS AND ABBREVIATIONS



<b>AAS</b>	Australian Accounting Standards
<b>AASB</b>	Australian Accounting Standards Board
<b>ACAG</b>	Australasian Council of Auditors-General
<b>ACCC</b>	Australian Competition and Consumer Commission
<b>ACNC</b>	Australian Charities and Not-for-profits Commission
<b>ACT AGO</b>	Australian Capital Territory Auditor-General's Office
<b>ANAO</b>	Australian National Audit Office
<b>ASA</b>	Australian Auditing Standard
<b>ASD</b>	Australian Signals Directorate
<b>ASIC</b>	Australian Securities and Investments Commission
<b>AUASB</b>	Auditing and Assurance Standards Board
<b>DPAC</b>	Department of Premier and Cabinet
<b>ED</b>	Exposure Draft
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IAS</b>	International Accounting Standard
<b>IASB</b>	International Accounting Standards Board
<b>IESBA</b>	International Ethics Standards Board of Accountants
<b>IFAC</b>	International Federation of Accountants
<b>IFIAR</b>	International Forum of Independent Audit Regulators
<b>IFRIC</b>	International Financial Reporting Interpretations Committee
<b>IFRS</b>	International Financial Reporting Standards
<b>IPART</b>	Independent Pricing and Regulatory Tribunal
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>NSWAO</b>	Audit Office of New South Wales
<b>NZ OAG</b>	New Zealand Office of the Auditor-General
<b>QAO</b>	Queensland Audit Office
<b>SA AGD</b>	South Australia Auditor-General Department
<b>TAO</b>	Tasmanian Audit Office
<b>TI</b>	Treasurer's Instruction
<b>VAGO</b>	Victorian Auditor-General's Office
<b>WA OAG</b>	Western Australia Office of the Auditor-General

# COPIES OF REPORTS AND PUBLICATIONS



## For matters arising in this newsletter:

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.

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## Disclaimer

All material published in this newsletter is of a general nature only and is not intended to be a substitute for or relied upon as specific professional advice.



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