

DECEMBER 2019



Tasmanian Audit Office

ACCOUNTING AND AUDITING DEVELOPMENTS

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Hot Topics

AASB 15 – Deferral for Entities with Research Grants and December 2019 year ends

The Australian Accounting Standards Board (AASB) at its **21 November 2019 meeting** made a decision to defer the application of AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' by not-for-profit entities to research grants.

AASB 15 and AASB 1058 are now applicable, for the accounting of research grants, for periods beginning on or after 1 July 2019, rather than for periods beginning on or after 1 January 2019. Early application is permitted. The Board advised their decision to do so is to address divergent views on the recognition of revenue applying to research grants.

Notwithstanding the decision to defer, the Board agreed to proceed with the amendments to the illustrative examples (Examples 4A and 4B) proposed in the Fatal-Flaw Review draft and to include a new example (Example 4D) to provide additional guidance for entities to implement AASB 15 for research grants. The revised version of the amending standard will be voted by Board members out of session.

Considerations for management when determining accounting estimates and related disclosures

In December 2018, the Australian Auditing and Assurance Standards Board (AUASB) released a revised ASA 540 '**Auditing Accounting Estimates and Related Disclosures**' that came into effect for financial reporting periods beginning on or after 15 December 2019, with early adoption permitted.

The International Standard on Auditing (ISA) 540 (Revised) Implementation Working Group recently prepared an audit client briefing **Considerations for Management When Determining Accounting Estimates and Related Disclosures** for chief financial officers, other senior management responsible for financial statement preparation and staff directly involved in determining accounting estimates.

The briefing provides an overview of:

- management's responsibilities in determining when accounting estimates are needed
- management's responsibilities regarding the main components of an estimation process
- the impact on management because of changes to the auditor's responsibilities, including broad questions auditors may ask those involved in the detailed aspects of the estimation process.

This briefing is not meant to be exhaustive, however it may be a helpful resource for preparers of financial statements when determining and evaluating accounting estimates and related disclosures.

AASB 2019-02 – Amendments to AASB 16 and AASB 1059

The Australian Accounting Standards Board (AASB) has recently issued **AASB 2019-02 'Amendments to Australian Accounting Standards – Implementation of AASB 1059'**.

This Standard AASB 1059 'Service Concession Arrangement: Grantors' to:

- change the modified retrospective approach set out in paragraph C4 to:
 - specify the financial liability should be recognised at fair value at the date of initial application
 - amend the method for measuring the liability under the Grant of a Right to the Operator (GORTO) model
 - specify the method for measuring the liability where the operator has provided additional consideration for access to an existing asset of the grantor
- make editorial amendments to the accompanying application and implementation guidance.

This Standard also amends AASB 16 'Leases' to provide a practical expedient to grantors of service concession arrangements so that AASB 16 would not need to be applied to assets that would be recognised as service concession assets under AASB 1059.

The amending Standard applies to annual periods beginning on or after 1 January 2020, with earlier application permitted.

ASIC announces financial reporting focus areas for 31 December 2019 financial reports

The Australian Securities and Investments Commission (ASIC) recently released **19-341MR Financial reporting focuses for 31 December 2019** announcing its focus areas for 31 December 2019 financial reports of listed entities and other entities of public interest with many stakeholders.

The key focus areas are:

- impact of the new lease and other standards
- impairment testing and asset values
- revenue recognition
- expense deferral
- off-balance sheet arrangements
- tax accounting
- disclosures on operating and financial review, non-IFRS financial information, and estimates and accounting policy judgements.

Accounting Updates

Australian update – Australian Accounting Standards Board (AASB)

Topics discussed included:

AASB Meeting Highlights – 21 November 2019

- disclosure of compliance with recognition and measurement (R&M) in special purpose financial statements (SPFS) for not-for-profit private sector entities
- AASB 15 – deferral for entities with research grants and December year-end*

- fair value measurement for not-for-profit entities
- disclosure of the effect of new IFRS standards not yet issued in Australia
- ED 291 not-for-profit entity definition
- ED 297 removal of SPFS for certain for-profit-entities – feedback
- reduced disclosure requirements (RDR) disclosures for AASB 2019-3 interest rate benchmark reform
- project plans and work program.

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

- Webinar: Accounting for Research Grants - News (5 December 2019)
- 2019-5 'Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia' - Accounting standard (28 November 2019)
- 2019-4 'Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements' - Accounting standard (28 November 2019)
- Exposure Draft – Fatal Flaw Draft – Amendments to Australian Accounting Standards – Disclosure of GFS Measures of Key Fiscal Aggregates and GAAP/GFS Reconciliations – November 2019 – comments closed 6 December 2019 - Exposure draft (7 November 2019)
- Exposure Draft – Fatal Flaw Draft – 'Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases' – October 2019 – comments closed 29 November 2019 - Exposure draft (31 October 2019)
- IFRS compilation of 2019 agenda decisions has been published - News (23 October 2019)
- 2019-3 'Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform' - Accounting standard (17 October 2019)
- Research Report 13 Parent, Subsidiary and Group Financial Reporting - Research report (11 October 2019)
- AASB '2019-2 'Amendments to Australian Accounting Standards – Implementation of AASB 1059' - Accounting standard (10 October 2019)*

* For more information refer to **Hot Topics** section above.

International Update – International Accounting Standards Board (IASB)

Topics discussed included:

IASB Meeting Highlights – 11-12 December 2019

- implementation matters
 - onerous contracts
 - annual improvements 2018-2020
- accounting policies and accounting estimates (amendments to IAS 8)
- financial instruments with characteristics of equity
- amendments to IFRS 17 'Insurance Contracts'
- IFRS 3 reference to the conceptual framework
- SME standard review and update
- IBOR reform and the effects on financial reporting
- subsidiaries that are SMEs
- business combinations under common control.

IASB Meeting Highlights – 19-20 November 2019

- primary financial statements
- subsidiaries that are SMEs
- disclosure Initiative
- IFRS 3 reference to the conceptual framework
- amendments to IFRS 17 'Insurance Contracts'
- implementation matters:
 - lack of exchangeability (IAS 21)

- annual Improvements
- cryptoassets.

IASB Meeting Highlights – 22-23 October 2019

- implementation matters:
 - property, plant and equipment – proceeds before intended use
 - onerous contracts – costs of fulfilling a contract
 - sale of a single asset entity containing real estate
 - September 2019 IFRIC Update
- business combinations under common control
- amendments to IFRS 17 ‘Insurance Contracts’
- IBOR reform and the effects on financial reporting
- financial instruments with characteristics of equity
- dynamic risk management
- SME standard review and update
- subsidiaries that are SMEs
- accounting policies and accounting estimates (amendments to IAS 8).

International Update – International Financial Reporting Standards (IFRS) Foundation

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

- Exposure Draft and comment letters - General Presentation and Disclosures (Primary Financial Statements) – comments due 30 June 2020 (17 December 2019)
- Guide - how to select and apply accounting policies? (21 November 2019)
- IASB proposes changes to the IFRS Taxonomy 2019 for Interest Rate Benchmark Reform (14 October 2019).

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

The Board discussed the following topics:

IPSASB Meeting Highlights – 10-13 December 2019

- revenue / transfer expenses – cross cutting issues
- revenue with performance obligations (ED 70)
- transfer expenses (ED 72)
- revenue without performance obligations (ED 71)
- leases (discussion of issues)
- public sector measurement (initial review of responses to ED 69)
- infrastructure (discussion of issues)
- revenue and transfer expenses – approval of exposure drafts
- heritage (discussion of issues).

Auditing Updates

Australian Update – Auditing and Assurance Standards Board (AUASB)

Topics discussed included:

AUASB Meeting Highlights – 3-4 December 2019

- parliamentary inquiry into the regulation of auditing in australia
- GS 005 ‘Using the work of a Management’s Expert’
- updated 2019-2023 AUASB strategy
- AUASB technical work program – 2019-20 update
- ASRE 2410 ‘Review of a Financial Report Performed by the Auditor of the Entity’
- GS 008 ‘The Auditor’s Report on a Remuneration Report Under Section 300A of the Corporations Act 2001’

- IAASB matters.

Latest **news** from the AUASB included:

- AUASB Bulletin on ASA 540 'Auditing Accounting Estimates and Related Disclosures' (13 December 2019)
- IAASB focus on professional scepticism (14 November 2019)
- The AUASB has provided a submission to the Parliamentary inquiry into regulation of auditing in Australia (14 November 2019)
- AUASB Research Report: Audit market structure and competition in Australia, 2012 - 2018 (11 October 2019).

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

The Board discussed the following topics:

IAASB Meeting Highlights – 9-13 December 2019

- ISA 600 (revised)
- Strategy and work plan
- ISRS 4400 (revised)
- Extended External Reporting (EER)
- Audits of Less Complex Entities
- ISQM 1
- ISQM 2 issues
- ISA 220 (revised).

IAASB Meeting Highlights (conference call) – 7 November 2019

- EER Assurance
- IESBA Code – Conforming Amendments.

Latest **publications** from the IAASB included:

- IAASB Tech Talk, November 2019 (26 November 2019)
- ISA 540 (Revised) Implementation Support: Audit Client Briefing (19 November 2019)
- Focus on Professional Skepticism (18 October 2019)

Ethics Updates

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

Topics discussed included:

APESB Meeting Highlights – 20 November 2019

- proposed revisions to APESB pronouncements
- revision of technical staff Q&A on audit partner rotation
- update on Independence Guide project
- international and other activities
- update on the Parliamentary Inquiry on audit regulation in Australia
- proposed revisions of APES 230 'Financial Planning Services' (CP 01/19).

Latest **news** and **technical updates** from the APESB included:

- APESB issues revised APES 230 'Financial Planning Services' (13 December 2019)
- APESB issues another submission to the PJC to clarify the mandatory nature of the Code and its prohibitions (2 December 2019)
- APESB issues revised APES 315 'Compilation of Financial Information' (2 December 2019)
- APESB issues revised APES 205 'Conformity with Accounting Standards' (2 December 2019)
- APESB issues guidance on prohibitions and audit partner rotation requirements in Australia (26 November 2019)

- APESB issues revised APES 310 'Client Monies' (19 November 2019)
- APESB issues revised APES 350 'Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document' (1 November 2019)
- APESB issues revised APES 345 'Reporting on Prospective Financial Information prepared in connection with a Public Document' (1 November 2019)
- APESB's submission to the PJC Inquiry on Audit Regulation (30 October 2019)

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

Topics discussed included:

IESBA Meeting Highlights – 3-6 December 2019

- fees
- definitions of listed entity and public interest entity (PIE)
- non-assurance services
- technology
- IAASB-IESBA coordination
- revised and restructured code roll-out
- emerging issues and outreach committee (EIOC)
- IFAC global status and adoption report
- role and mindset.

Latest **publications** from the IESBA included:

- IESBA Code of Ethics – summary of prohibitions applicable to audits of public interest entities (15 November 2019)

ASIC, ACNC and ACAG

Australian Securities and Investments Commission (ASIC)

Recent **speeches** and **media releases**:

- 19-350MR Audit inspection findings: 12 months to 30 June 2019 (12 December 2019)
- 19-341MR Financial reporting focuses for 31 December 2019 (6 December 2019)
- 19-328MR ASIC releases updated RG 97 on fees and cost disclosure (for issuers of superannuation and managed investment products) (29 November 2019)
- Parliamentary Joint Committee – Corporations and Financial Services, ASIC Chair James Shipton (19 November 2019)
- 19-308MR ASIC gives guidance on companies' whistleblower policies and relief to small not-for-profits (13 November 2019)
- ASIC regulatory and enforcement update (speech) 17 October 2019
- 19-284MR ASIC Annual Report for 2018-19 17 October 2019
- 19-271MR ASIC releases report on director and officer oversight of non-financial risk (2 October 2019).

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

Recent **news and media** included:

- 2019 Annual Information Statement (1 November 2019)
- Charities must protect themselves against fraud (21 October 2019).

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

ACAG recently made submissions on:

- Exposure Draft – Fatal Flaw Draft – Amendments to Australian Accounting Standards – Class of Right-of-Use Assets arising under Concessionary Leases (5 December 2019)
- ED 295 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (28 November 2019)

- Exposure Draft – Fatal Flaw Draft – Amendments to Australian Illustrative Example for Not-for-Profit Entities accompanying AASB 15 (5 November 2019)
- ED 296 Disclosure of Accounting Policies – Proposed amendments to AASB 101 and AASB Practice Statement 2 (28 October 2019)
- Submission to the inquiry of the Parliamentary Joint Committee on Corporations and Financial Services into Regulation of Auditing in Australia (28 October 2019).

TAO Reports

- [Tasmanian Audit Office Annual Report 2018-19](#)
- [Annual Plan of Work 2019-20](#)

Tabled reports in the 2019-20 financial year so far:

- [Procurement in Local Government](#)
- [University of Tasmania's management of student accommodation](#)
- [Tasmania Prison Service: use of resources](#)
- [Rostering of specialists in Tasmania's major hospitals](#)

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

2018-19

- Volume 1:
[State entities 31 December 2018](#)
- Volume 2:
[Audit of State entities and audited subsidiaries of State entities 2018-19](#)

Contacts

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