



Tasmanian Audit Office

Contentious Accounting Issues and TAO matters

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Treasurer's instruction

Treasurer's Instructions – departure from accounting standards

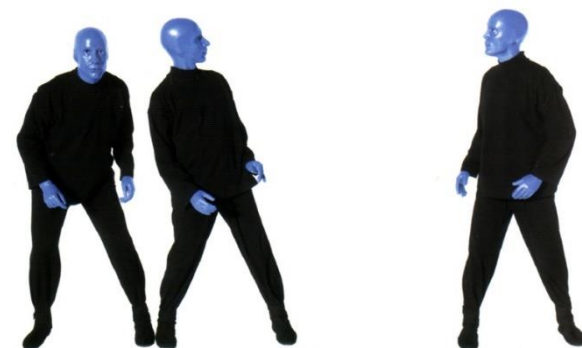


- Conflict between accounting standard and Treasurer's Instruction – which to apply?
- Can management depart from an accounting standard?
- Is there a fair/acceptable accounting framework?
- What is the impact on our audit opinion

Control or joint control?

Background:

- Two state entities set up a new entity
- Entity A has 60% interest
- Entity B has 40% interest
- Shareholder agreement
- 3 directors for Entity A, 2 directors for Entity B



- Decision making – majority vote of the Board
- Day-to-day activities managed by the Board
- Matters requiring agreement (75% of shareholders must agree) – borrowings, winding up the entity, altering the constitution or shareholder agreement, litigation (commencing, defending, discontinuing, settling)

Does Entity A have control over the new entity, or do Entity A and Entity B have joint control?

Control

Joint
Control

Control of joint control?

- Assess control
 - Exposed, or have rights, to variable returns
 - Affect those returns
 - Power over the arrangement (existing rights that give the current ability to direct the *relevant activities*)
- Assess joint control
 - Contractually agreed sharing of control
 - Rights and obligations
 - Unanimous agreement

Debt – current or non-current liability?

Is it a current or non-current liability?

- Original loan term > 12 months, but repayable within 12 months of YE **Current liability**
- New long term agreement after year end but before signing the FS **Current liability**
- Entity has discretion to roll/refinance debt for *at least twelve months after* the YE under an existing loan facility **Non-current liability**
- Loan agreement breach before YE, but lender waived action after YE but before signing FS **Current liability**
- Loan facility has termination date “not before the next review date”, is subject to annual review with next review 30 June 2019 **Current liability**



Restricted cash

Restricted cash:

- AASB 107 - an entity shall disclose, together with a commentary by management, the amount of significant cash and cash equivalent balances held by the entity that are not available for use by the group
- what level is “significant”?
- what does “not available for use” mean?
- does the restriction exclude the item from being classified as cash or cash equivalent?



Development incentives



- Lease incentives – AASB 117 (AASB 16)
- Concessional loans – AASB 139
- Future payment obligations – AASB 137
- Remission of fees, taxes, rates – AASB 118, AASB 1004, (AASB 15, AASB 1058)
- Revenue recognition (recipient) – AASB 118, AASB 1004, (AASB 15, AASB 1058)
- Grants and government assistance – AASB 120, AASB 1004

Important reminders

- An accountable authority responsible for the operations of a State entity is to advise the Auditor-General, in writing, before the end of the relevant financial year of all subsidiaries of the State entity (section 21(1))
- A State entity, or an audited subsidiary of a State entity, is to have an accountable authority (section 14(1))
- An accountable authority, as soon as possible and within 45 days after the end of each financial year, is to prepare and forward to the Auditor-General a copy of the financial statements for that financial year which are complete in all material respects (section 17(1))
- **This includes submission of financial statements for subsidiary entities**