



**Government
of South Australia**

TRS19D1209

Hon Stephen Mullighan MP
Member for Lee
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Treasurer

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Steph
Dear Mr Mullighan

APPLICATION UNDER THE *FREEDOM OF INFORMATION ACT 1991*

I refer to your application made under the *Freedom of Information Act 1991* (FOI Act), dated 10 May 2019.

Your application seeks access to:

"All minutes, briefings and correspondence titled 'New Accounting Policy Statements' as described on the Objective document management system, between 12 July 2018 and 10 May 2019."

The legislative prescribed timeframe to determine this application has expired and is now deemed to have refused you access to all documents relevant to your application. I refer to my letter dated 26 May 2019 where I sought additional time to make my determination.

The purpose of this letter is to advise you of my determination. An extensive search was conducted within this office. A total of 1 document was identified as answering the terms of your application.

I grant you access in part to 1 document; a copy of which is enclosed.

The briefing which was prepared by DTF in relation to the proposed Accounting Policy Statements and the Summary of Expedients and Transition Options Arising from Implementation of New Accounting Standards (Attachment 2) can be released in full. I determine that the draft Treasurer's Instructions (Attachment 1) exempt pursuant to clause 10 of the FOI Act, as they were drafted by Parliamentary Counsel and as such considered legal advice.

Exemptions

Clause 10 – Documents subject to legal professional privilege

- (1) *A document is an exempt document if it contain matter that would be privileged from production in legal proceedings on the ground of legal professional privilege.*

Please note, in compliance with Premier and Cabinet Circular PC045 - *Disclosure Logs for Non-Personal Information Released through Freedom of Information* (PC045), the Department of Treasury and Finance is now required to publish a log of all non-personal information released under the *Freedom of Information Act 1991*.

In accordance with this Circular, any non-personal information determined for release as part of this application, may be published on the DTF website. A copy of PC045 can be found at the following address: <https://dpc.sa.gov.au/resources-and-publications/premier-and-cabinet-circulars>. Please visit the website for further information.

As I am determining this application as Principal Officer, Section 29(6) of the Act does not provide for an internal review. If you are dissatisfied with my determination you are entitled to exercise your rights of external review with the Ombudsman.

Alternatively, you can apply to the South Australian Civil and Administrative Tribunal. If you wish to seek a review, Section 39(3) of the Act states you must do so within 30 calendar days of receiving the determination.

If you require any further information, please contact Vicky Cathro on 8226 9769.

Yours sincerely



Hon Rob Lucas MLC
Principal Officer

22 August 2019

DTF:Treasurer

From: Della-Torre, Kym (DTF)
Sent: Wednesday, November 14, 2018 11:33 AM
To: DTF:Treasurer
Cc: Reynolds, David (DTF); Hocking, Stuart (DTF); Scott, Tracey (DTF); Karasoulos, Sally (DTF); DTF:Accounting Services Treasurers Correspondence; Cantley, Kevin (DTF)
Subject: A927796 - Minute to Treasurer New Accounting Policy Statements 2018 (A927796)
Attachments: A927796 - Minute to Treasurer New Accounting Policy Statements 2018.pdf
Categories: Kate

Hello,

Please find attached a minute about the proposed new Accounting Policy Statements:

- "A927796 - Minute to Treasurer New Accounting Policy Statements 2018" (A927796) v5.0 from Objective.

Kind regards

Kym Della-Torre

Director | Advisory and Professional Development | Accounting Services
Department of Treasury & Finance
t (08) 8226 9575



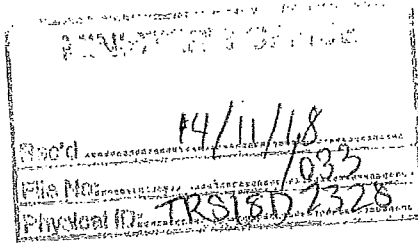
Government of South Australia
Department of Treasury
and Finance



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MINUTE



Government
of South Australia
Department of Treasury
and Finance

MINUTES forming ENCLOSURE

File T&F17/0220

Doc No A927796

To The Treasurer

NEW ACCOUNTING POLICY STATEMENTS

Timing: ROUTINE

Recommendations/Issues: It is recommended that you:

①

- approve in principle the proposed Accounting Policy Statements.

Note Approved/Not Approved

②

- approve, with immediate effect, the exclusion of the University of Adelaide, Flinders University and the University of South Australia from application of the existing Accounting Policy Framework and proposed Accounting Policy Statements.

Approved/Not Approved

③

- note that upon completion of the trial budget data collection in November/December, the Accounting Policy Statements will be submitted to you to be formally made as a Treasurer's Instruction, in accordance with the *Public Finance and Audit Act 1987* for commencement from 1 January 2019.

Noted

④

- note that the draft Accounting Policy Statements propose to remove reporting of Boards and Committees from the notes to the financial statements as it duplicates Boards and Committees reporting to Parliament. Further work will be undertaken with the Department of Premier and Cabinet (managers of the Boards and Committees Information System (BCIS)) to confirm that clear and transparent reporting of boards and committees to Parliament will be maintained.

Noted Not agreed.

Rob Lucas

Hon Rob Lucas MLC
Treasurer

18 / 12 / 18



Key Points:

- The Accounting Policy Framework (APF) is a combination of guidance and subordinate legislation (i.e. the Accounting Policy Statements (APS) which are *Treasurer's Instructions* under Section 41 of the *Public Finance and Audit Act 1987*). The APF governs accounting in the South Australian public sector and consists of the following six frameworks:
 - APF I Purpose And Scope
 - APF II General Purpose Financial Statements Framework
 - APF III Asset Accounting Framework
 - APF IV Financial Asset and Liability Framework
 - APF V Income Framework
 - APF VI Definitions
- Accounting in the South Australian public sector is governed by the Australian Accounting Standards (AAS). The AAS are a framework of technical pronouncements that detail the accounting treatment for transactions and events for both profit and not-for-profit entities.
- The APF was first introduced in 2005 to coincide with the adoption of the International Financial Reporting Standards (IFRS) in the AAS. A comprehensive review of the APF has not occurred since this time.
- There are a number of new accounting standards coming into effect which represent a significant change in accounting practice in Australia; *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-For-Profit Entities*, *AASB 16 Leases*, *AASB 1059 Service Concession Arrangements* and *AASB 9 Financial Instruments*.
- In light of these significant changes, Treasury and Finance has undertaken a review of the APS contained within the APF to ensure that they continue to meet their objectives and remain relevant to public authorities.
- As a result of this review, Treasury and Finance has finalised a proposed new APS which is attached for your consideration (attachment 1).

Approach

- The new APS represent a significant change in structure from the current APF. Whereas previously there have been seven frameworks in total governing South Australian public sector accounting – the six APF and the AAS, the AAS will now be the only framework applicable to South Australian Public Authorities. This change seeks to address the ambiguity and issue of inconsistency between the AAS and the APF which arises as a result of maintaining multiple frameworks.
- The new APS directly follows the structure of the AAS and gives direct references to the paragraphs to which the relevant APS applies. It is considered that this approach can be more readily used by report preparers that are familiar with the AAS.
- Where appropriate, the new APS;
 - selects an option contained within the Australian Accounting Standard that must be applied;

- provides a consistent interpretation where the Standard allows judgment; and
 - includes additional requirements of the South Australian Government.
- The new APS is consistent with the *Public Finance and Audit Act 1987* and the final draft of the proposed new Treasurer's Instructions.

Consultation Process

- On 2 April 2018, Treasury and Finance released for consultation with public authorities an exposure draft of the proposed new APS. Submissions were received from:
 - Auditor-General's Department;
 - Department for Planning, Transport and Infrastructure; and
 - Department for Health and Wellbeing.
- The Auditor-General's Department indicated initial support of Treasury and Finance's efforts to revise the APS, with particular support of the approach of linking the APS to the AAS in order to improve understandability.
- In order to advance the exposure draft of the new APS to the final draft stage, a Technical Working Group consisting of representatives from across government was established to consider the issues identified in the submissions. Representatives on the group included:
 - Department for Health and Wellbeing,
 - Shared Services,
 - Auditor-General's Department,
 - Department of Planning Transport and Infrastructure, and
 - Department of Treasury and Finance.

Accounting Policy Statements – Moved to Guidance

- A large number of issues raised during the consultation period related to how accounting guidance is to be provided by Treasury and Finance. The APF currently includes both APS and guidance within subordinate legislation.
- The new APS moves the guidance out of subordinate legislation and on to DTF Extra. DTF Extra is the Treasury and Finance extranet, a limited access website used by public authorities to securely access information posted by Treasury and Finance. It is anticipated that moving guidance to an online platform will enable greater responsiveness to change and enable the inclusion of a greater range of guidance materials, in addition to providing a clear distinction between mandatory requirements and guidance.

Key Changes

- The new APS is largely drafted on a 'no policy change' basis. Policy changes, where made, largely relate to inconsistencies between the APS and AAS and to achieve compliance with *AASB 1049 - Whole of Government and General Government Sector Reporting* and the ABS's *Government Finance Statistics (GFS)*.
- The new APS eliminates a number of redundant statements contained within the current APF. These include;
 - Removal of APS that are of an explanatory nature, inconsistent with AAS or replicate another APS.

- Where an APS paraphrases a requirement of the AAS, the new APS provides the paragraph reference to the relevant AAS. There is no need for the APS to paraphrase the AAS.
- It is proposed that the University of Adelaide, Flinders University and the University of South Australia be excluded from the application of the new APS. The universities are not included in the South Australian Government's consolidated financial reports and are subject to other Commonwealth Government reporting requirements. The APS therefore serves no obvious benefit.
- Further, universities operate on a financial calendar year, and as such an immediate exemption from the APS is sought. This will alleviate the need for partial year application of the APS by the universities, which would result in them applying two different reporting requirements in one financial year.
- The universities have been consulted and have indicated their support for the proposed exemption from the APS.
- The APF contains a number of financial thresholds that have not been reviewed since its introduction in 2005. The thresholds have been increased in the new APS to reflect price inflation, a summary of the proposed thresholds is provided in the table below.

Threshold	Current APF Amount	Proposed APS Amount
Band for reporting of employee remuneration	\$10,000	\$20,000
Limit on materiality threshold for recognition as an asset.	\$10,000	\$15,000
Threshold for revaluation of a non-current asset or group of.	\$1,000,000	\$1,500,000

- The requirement to include the membership and remuneration of boards and committees in public authority financial statements has been removed in the new APS. This information is available in the Boards and Committees Information System (BCIS), which is already reported to the Parliament. These measures will reduce clutter in and the size of public authority financial statements. It should be noted, however, that the BCIS reporting appears to have different reporting criteria which results in fewer boards and committees being included in the BCIS report.
- The Statement of Administered Changes in Equity for the administered schedules is also removed as this is currently not published in the budget papers nor is it required by the AAS.

New Accounting Standards

- Upcoming changes to the following AAS were considered by the technical working group: AASB 9, AASB 15, AASB 16, AASB 1058, AASB 1059 & AASB 124.
- Treasury and Finance's preferred position when considering the new Standards was to select options and expedients that simplify and reduce the costs of transition to public authorities. The need for greater consistency of accounting policy across public authorities to support the consolidated financial reports was also considered.

- Changes including expedients and transition options resulting from the introduction of the above standards (excl. AASB 124) are summarised in attachment 2. A comparison of the positions adopted by Treasury and Finance to that of other jurisdictions is also provided in this table.
- The new APS removes the cost basis for measurement of financial assets and liabilities to achieve consistency with GFS and AASB 9, as required by AASB 1049. Arguably, this requirement has been inconsistent with AASB 1049 since the introduction of AASB 1049 in 2008-09.
- A trial budget data collection to 'test' the impact of the new APS and guidance will occur in November/December. This trial will be used to enable unintended budget consequences to be identified and any adjustments necessary to the new APS is made prior to the 2018/19 budget data collection.

Subject to Future review

- A number of matters of substance were considered by the Technical Working Group (Group) that could not be resolved and require further consideration. Issues which were unable to be resolved will form part of an ongoing work program for the Group.
- It should be noted that the Group agreed that the unresolved matters were not critical in nature. The new APS will continue the following arrangements until such time that these matters are formally resolved:
 - *Like existing arrangements*
Soil Remediation. The current APF goes beyond the requirements of the AAS. Group to determine whether additional requirements are necessary.
 - Restoration Costs. The APF requires costs of restoration or remediation to return an asset to its original state to be expensed, reverting to the AAS may result in these costs being capitalised. The impact on agencies needs to be considered further. ?
 - Asset Recognition. The new APS includes recognition as an asset any funds credited to the Surplus Cash Working Account. This requires further consideration.
 - Presentation of Financial Statements. The new APS requires public authorities to aggregate items according to their nature. The AAS does not require an election to be made when presenting assets and liabilities, this will require further consideration by the Group.
 - Statement of Comprehensive Income. Group to consider whether incorporating a total or revenue separately from other income as is done in other jurisdictions would be beneficial.
 - Property, Plant and Equipment. The APS provided for for-profit-entities to recognise contributed assets at fair value. The standard does not provide this option for for-profit entities. Group to consider impact of a change in position.
 - Revaluation Surplus. The APF enables for-profit entities to take revaluation adjustments to the asset revaluation surplus on a class basis, which is inconsistent with the AAS. The removal of this APS has the potential to impact for-profit-entities that have taken up this election in the past, as such, outreach will need to occur by the Group.

Timing and Transition Arrangements

- Treasury and Finance will support public authorities to transition to the new APS through professional development workshops which will support implementation and address technical queries. Technical Masterclasses on the new standards have been held in September and October and have covered the expedients and transition options proposed in the APS. These Masterclasses were open to all public authorities.
- A formal communications program will be undertaken by Treasury and Finance, advising Chief Financial Officers and Senior Finance Officers of their obligations in accordance with the proposed new APS and new accounting standards. Regular communication will continue throughout the implementation period.
- A trial budget data collection to 'test' the impact of the new APS and guidance will occur in November/December. This trial will be used to enable unintended budget consequences to be identified and any adjustments necessary to the new APS is made and prior to the 2018/19 budget data collection.
- To facilitate commencement of the new APS, existing exemptions and variations to the APF will continue to have effect until 1 January 2020, unless confirmed or replaced by you, before this date.

Next Steps

- Upon completion of the trial budget data collection, the APS will be adjusted for feedback, and re-submitted to you to be formally made as a Treasurer's Instruction, in accordance with the *Public Finance and Audit Act 1987* for commencement from 1 January 2019, for all reporting periods that end on or after 1 January 2019.
- It is requested that you approve, with immediate effect, the exclusion of the University of Adelaide, Flinders University and University of South Australia from application of the existing APF and proposed APS. This will assist in enabling a smooth transition process to the new APS.



Stuart Hoeking
DEPUTY CHIEF EXECUTIVE

13 November 2018

Contact Officer:	Sally Karasoulos
Telephone:	8207 1865
Email address:	sally.karasoulos@sa.gov.au

Attachment 2:

Summary of Expedients and Transition Options Arising from Implementation of New Accounting Standards

AASB 9 Financial Instruments				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth.
9.A	Transition 7.2.15	A public authority must not restate prior periods on adoption of the classification and measurement requirements of AASB 9.	This will maintain consistency between public authorities.	Consistent treatment across jurisdictions.

AASB 15 Revenue from Contracts with Customers				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
15.A	Recognition 9 to 16	A public authority may adopt an accounting policy for low value contracts with customers that allows revenue to be recognised in the period the contract is executed subject to the materiality threshold adopted by the public authority for this purpose not exceeding \$15,000.	In principle, this is the revenue corollary of the existing threshold on whether a public authority recognises or expenses a non-financial asset. This threshold is also the same as the proposed new threshold for low value assets under AASB 16 Leases.	Positions not yet confirmed.
15.B	Transition C3	A public authority must apply the Standard retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application.	This will maintain consistency between public authorities and simplify the transition process.	NSW & VIC only jurisdictions to adopt full retrospective approach. This reflects the fact that they have significant resources available to restate comparative periods and are not expecting a significant budget impact.

AASB 15 Revenue from Contracts with Customers				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
15.C	Transition C7	A public authority must not apply the completed contracts practical expedient.	<p>Treasury and Finance is of the view that it would be best for public authorities to review all of their new and existing contracts at the initial date of application. It may be too difficult and time consuming to determine which contracts are considered completed within the meaning of the legacy revenue standards.</p> <p>This proposed approach will also allow public authorities to 'recycle' their revenue that was previously recognised under AASB 111, 118 or 1004 and recognise it again when the remaining performance obligations are satisfied and any remaining costs incurred. Thus, the Government avoids a dip in the revenue time series on transition that may occur in sequence of revenue/grant contracts.</p>	Consistent treatment across jurisdictions.

AASB 15 Revenue from Contracts with Customers				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
15.D	Transition C7A	A public authority must apply the practical expedient for all contract modifications that occur before the date of initial application.	<p>This will maintain consistency between public authorities as well as reduce the workload related to separately accounting for the original contract and any modifications.</p> <p>Treasury and Finance does not expect that there is a significant volume of contract modifications. Therefore, the implications of this expedient are expected to be limited.</p>	Consistent treatment across jurisdictions.

AASB 16 Leases				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
16.A	Scope 4	A public authority must not apply AASB 16 to leases of intangible assets.	For consolidation consistency purposes, and to limit changes at the time of the AASB 16 implementation, entities are required to continue to apply the same standard they used in the previous year to these types of leases.	Consistent approach across jurisdictions.
16.B	Recognition Exemptions 5 to 8	A public authority must adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.	This approach will maintain consistency between public authorities and lessen the ongoing budget impact.	South Australia to adopt a \$15,000 threshold. Audit does not oppose this amount, which is broadly consistent with the basis for conclusion of the International Standard (IFRS). Other jurisdictions have adopted a \$10,000 threshold.

AASB 16 Leases				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
16.C	Recognition Exemptions 5 to 8	A public authority must apply the short term leases recognition exemption for all classes of underlying assets.	The short-term lease option will simplify the process for public authorities, related costs may be greater under the alternative approach of applying AASB 16 general principles.	Victoria and the Commonwealth will provide public authorities with the choice to elect to apply this option.
16.D	Separating Components of Contracts 15	A public authority must separate non-lease components from lease components. A public authority must not apply the practical expedient in 16.15.	Measure has potential to impact on key budget aggregates. This approach will result in a more accurate lease asset and liability and depreciation expense – as such public authorities are required to separate lease components.	Commonwealth does not require lease components to be separated. NSW, & VIC consistent with SA, whilst QLD requires separating of all lease components except for plant and equipment.
16.E	Subsequent Measurement of the right-of-use asset 34	A public authority must adopt the fair value model.	The subsequent measurement of the ROU assets at fair value is consistent with the requirements for the valuation of other non-financial assets.	Consistent across all jurisdictions.

AASB 16 Leases				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
16.F	Subsequent Measurement of the right-of-use asset 35	A public authority must adopt the revaluation model.	The subsequent measurement of the ROU assets at fair value is consistent with the requirements for the valuation of other non-financial assets.	Consistent across jurisdictions excluding Queensland who have adopted the cost approach. Queensland consider this approach provides more useful information to users of financial statements, however this approach results in inconsistencies with the Uniform Presentation Framework (UPF) and GFS.

AASB 16 Leases				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
16.G	Defined Terms Appendix A	Where required by the Standard, a public authority must apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.	Treasury and Finance does not expect agencies will always have access to an implicit interest rate, as often the inputs to this rate are not known to the lessees. Therefore, where the implicit rate cannot be determined, the lessee's incremental borrowing rate published by Treasury and Finance must be used.	Consistent with approach adopted by NSW, VIC & QLD. The Commonwealth will enable an entity to determine the rate on a lease by lease basis.
16.H	Transition – Definition of Lease C3 to C4	A public authority must apply the practical expedient to leases in place prior to the initial implementation date.	Will simplify the process for public authorities. It is assumed that public authorities have conducted a review of arrangements in accordance with AASB 117 and as such are not required to re-assess these contracts.	Consistent approach across jurisdictions.
16.I	Transition Lessees C5 to C7	A public authority must apply the standard retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.	Will simplify the process for public authorities.	Consistent approach across jurisdictions.

AASB 16 Leases				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
16.J	Provision of lease information Additional	<p>A public authority that leases assets (public authority lessor) to another public authority (public authority lessee) must provide lease information to the public authority lessee and the Department of Treasury and Finance in a form approved by the Department of Treasury and Finance by no later than 1 July each year.</p> <p>A public authority lessee must use the lease information provided by the public authority lessor for the application of AASB 16.</p>	Provides consistency of information between public authorities, improves CFR outcomes and lowers cost of implementation across Government.	Other jurisdictions have not advised their approach to consolidation.

AASB 1058 Income for Not-For-Profit Entities				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
1058.A	Volunteer Services 19	A public authority must not recognise volunteer services when the services would not have been purchased if they had not been donated.	The above accounting treatment for volunteer services does not differ from the current requirements under <i>AASB 1004 Contributions</i> .	Not all positions confirmed.
1058.B	Transition C3	A public authority must apply the standard retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application.	This approach will maintain consistency between public authorities and simplify the transitioning process.	Not all positions confirmed.

AASB 1058 Income for Not-For-Profit Entities				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
1058.C	Transition C6	A public authority must not apply the completed contracts expedient.	<p>Treasury and Finance is of the view that it would be best for public authorities to review all of their contracts (new and existing) at the initial date of application.</p> <p>It may be too difficult and time consuming to determine which contracts are considered completed within the meaning of the legacy revenue standards. This proposed approach will allow public authorities to 'recycle' their revenue that was previously recognised under 1004, 111 or 118 and recognise it again when the remaining performance obligations are satisfied and any remaining costs incurred. Thus, the Government avoids a dip in the revenue time series on transition that may occur in sequence on transition that may occur in sequence of revenue/grant contracts.</p>	Consistent approach across jurisdictions.

AASB 1059 Service Concession Arrangements				
APS Reference	Title and AASB Reference	New APS	Comments	Position Adopted by NSW, VIC, QLD & Commonwealth
1059.A	Scope 2	If a public authority forms the view that the public authority may have a service concession asset, then the public authority must seek approval from the DTF CE or his/her delegate to apply the Standard. A public authority must not apply this Standard without approval from the DTF CE or his/her delegate.	Given the specific nature of AASB 1059 and the associated Service Concession Arrangements and transition options, a public authority must contact the Department of Treasury and Finance to seek approval to apply AASB 1059.	Position unique to SA.