Accounting policy update

Newsletter – Edition No. 35, December 2018

#### Scope: This bi‑annual newsletter outlines areas of importance in public sector financial reporting. Please distribute to both budget and financial reporting areas of Victorian public-sector entities.

|  |
| --- |
| Inside this edition  [Overview 1](#_Toc535571184)  [2018‑19 reporting year 2](#_Toc535571185)  [2018‑19 financial reporting legislation 4](#_Toc535571186)  [AASB update 5](#_Toc535571187)  [Accounting Standards project 8](#_Toc535571188)  [How to contact us 11](#_Toc535571189) |

# Overview

Work on the 2018‑19 Model Report is now underway with several changes being proposed in disclosures and guidance. New appendices are also proposed to assist departments in implementing the suite of new accounting standards.

New ministers have been requested to provide AASB 124 related party declarations up to 31 December to supplement those which were collected for the period up to the caretaker period prior to the general election.

December 31 reporters are reminded a formal attestation statement is to be included in your annual reports in relation to all applicable 2016 Standing Directions and Instructions.

The introduction of the suite of new accounting standards from 2019‑20 and the recently announced machinery of government changes will have a significant impact on departmental input to the 2019‑20 budget process and consequent data updates in SRIMS. This newsletter provides guidance, information and references for working through the processes, including a section on the Accounting Standards project. This latter section includes a summary of the timelines for information updates and further guidance on the impacts of AASB 15, AASB 1058, AASB 1059 and AASB 16 on departmental estimates.

There have been no updates made to the financial reporting directions (FRDs) since the last newsletter.

The Australian Accounting Standards Board (AASB) has issued several amendments to Australian Accounting Standards since July 2018, including a one‑year deferral of AASB 1059 (which Victoria does not intend to take up), temporary relief from recording right-of-use assets at fair value, as well as an amendment to AASB 15 and AASB 16 in connection with public sector licences. We also note work in progress by the IASB on deferral and possible changes to IASB/AASB 17 *Insurance contracts.*

AASB 9 *Financial Instruments* is applicable from this financial year with retrospective application and additional disclosure requirements, which are outlined in this newsletter.

Finally, a table of key financial publications due in the coming year, along with their anticipated publication dates, is included in this newsletter.

# 2018‑19 reporting year

## Major updates/reminders

### 2018‑19 Model Report for Victorian Government departments

The Department of Treasury and Finance (DTF) has started preparatory work on the 2018‑19 Model Report and has set a target release date around mid-April 2019. Key changes proposed for the 2018‑19 Model Report include:

* incorporation of the first-time adoption of AASB 9 *Financial Instruments*,including transition disclosures in the financial statements and associated notes*;*
* an additional column in the public private partnership (PPP) commitments disclosure to recognise State capital contributions;
* updated and new appendices incorporating information that was provided in the ‘New Accounting Standards Instruction’ pack, including implementation checklists for the new accounting standards,
* changes in the disclosures and guidance in the following areas:
  + Local Jobs First – Victorian Industry Participation Policy (FRD 25C);
  + occupational health and safety (FRD 22H);
  + social procurement (new); and
  + consultancy expenditure (FRD 22H).

Work is underway with the relevant teams and application of these proposed changes will be determined once they have been finalised and approved. Further communication will be provided when the changes are approved for the 2018‑19 Model Report.

A comprehensive list of the significant changes will be detailed in the ‘Summary of changes’, which will accompany the 2018‑19 Model Report.

### AASB 124 *Related Party Disclosures* project

#### Ministerial declarations for the 2018‑19 reporting period

To support the compliance and preparation of financial reports by not‑for‑profit public sector entities, information consistent with the requirements of AASB 124 *Related Party Disclosures* is normally collected twice in each financial year from Cabinet ministers, as not all Victorian public sector not-for-profit entities have a 30 June year end. For example, the year end for Alpine Resort entities, TAFEs and schools is 31 December.

In addition, the composition of the Cabinet and ministerial appointments has changed following the State election on 24 November 2018. A ‘pre-election’ AASB 124 declaration certificate was requested for Ministers to complete for the period 1 July 2018 to 30 October 2018 (i.e. up to the start of the caretaker period).

The second Labour Government was sworn in on 29 November 2018 comprising 18 continuing and 4 newly appointed Ministers. A declaration request has been made to the new ministry, where continuing ministers’ submissions will cover the period from caretaker to 31 December 2018 (i.e. 1 November to 31 December 2018), acknowledging that portfolio responsibilities may have changed between submissions. New Ministers’ declaration certificates will cover the period from the date the Ministers were sworn in to 31 December 2018.

DTF will provide information extracted from ministerial declarations to the relevant portfolio entities to perform a ‘significance’ and a ‘materiality’ assessment of the nature and amount of the related party transactions for disclosure, where relevant, in the entities’ annual financial reports.

Entities are reminded that, under the agreed protocols, consultation is required with the relevant Minister(s) and DTF, where disclosures are proposed.

#### Movements in key management personnel

Entities with a 31 December 2018 reporting date are reminded disclosure for the 2018 reporting period will need to include information relevant to all key management personnel appointed during the period, including any executive appointments and departures.

#### Guidance information

A declaration certificate, checklist and summary guidance are included in Appendices 8 and 9 of the *2017‑18 Model Report* to assist entities with the implementation of AASB 124. Further comprehensive guidance information is also available in the ‘Financial Reporting Policy’ section of DTF’s website at   
[www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures](https://www.dtf.vic.gov.au/financial-reporting-policy/aasb-124-related-party-disclosures)

### Interim valuation assessments

You should have already conducted your 2018‑19 interim valuation assessments using the October 2018 indices or other relevant information as a preliminary indicator to assess how the fair values for land assets have moved for the period. The Valuer-General’s land indices can be found at <https://www.dtf.vic.gov.au/financial-reporting-policy/valuer-general-land-indices>

Victorian Government departments, agencies and entities should contact their portfolio department in the first instance for the login details to access the land indices. Our December 2016 Newsletter, Edition No. 31 contains information on interim valuation assessments, including an example of how to assess fair value movements on a cumulative basis. The publication can be found at [www.dtf.vic.gov.au/Accounting-policy-newsletters](http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Financial-Reporting-Policy/Accounting-policy-update-newsletters).

## Incoming government machinery of government changes

On 29 November 2018, the Secretary of the Department of Premier and Cabinet (DPC) provided the Victorian public sector with the details relating to the machinery of government (MoG) changes instituted by the Premier following the 2018 election.

The General Order issued by the Premier and dated 1 January 2019, setting out the administrative arrangements for the responsibility for the Acts of Parliament, provisions of Acts and other functions, can be accessed using the following link: [www.dpc.vic.gov.au/images/documents/dpc\_resources/legal/2018/General-order-1-jan-2019.pdf](http://www.dpc.vic.gov.au/images/documents/dpc_resources/legal/2018/General-order-1-jan-2019.pdf). In addition, two relevant MoG orders issued under the *Public Administration Act 2004* and an Administrative Arrangements Order (No 229) 2018 can be found in the Government Gazette, numbers S 552, S 580 and S 579 respectively, all effective from 1 January 2019. (<http://www.gazette.vic.gov.au/gazette_bin/recent_gazettes.cfm?bct=home|recentgazettes>).

From a financial reporting and budgeting perspective, balance sheet transfers and adjustments to the 2018-19 appropriations need to be made effective from 1 January 2019. Consequent adjustments to the 2019-20 budget and the forward estimates will also need to be negotiated and agreed between the relevant departments.

To guide departments through the requirements associated with updating budget and forward estimates’ information in SRIMS following the MoG changes, DTF issued an Information Request, setting out the guidance and dates for information to be provided by portfolio departments to DTF through their usual DTF relationship contacts.

The MoG change Information Request, titled ‘Impact of machinery of government changes’, is available in SRIMS and is in the 2019 Information Requests section under the Information and Guidance dashboard. It contains a number of useful references for use by departments in ensuring the accounting and reporting requirements of the MoG change are appropriately addressed. It also makes reference to the *Machinery of government changes – VPS operating manual*, which can be accessed on the DTF website at: [www.dtf](http://www.dtf).vic.gov.au/financial-management-government/machinery-government-changes-vps-operating-manual.

It should also be noted the 2019-20 Budget will be impacted by the new Australian Accounting Standards, as discussed later in this newsletter. In accordance with the Information Request issued by DTF in connection with the 2019-20 budget process, the impacts of the new accounting standards will be required to be completed first and prior to finalising the MoG values to be transferred between departments. The 2019‑20 Budget Information Request is available in SRIMS and can also be accessed via the following link: [www.dtf.vic.gov.au/dtf-information-requests/dtf-information-requests-secure-section](http://www.dtf.vic.gov.au/dtf-information-requests/dtf-information-requests-secure-section).

## Financial reporting directions and guidance notes

Since the last newsletter, no new updates have been made to the FRDs applicable for the 2018‑19 reporting period.

# 2018‑19 financial reporting legislation

## Standing Directions – annual report attestation

The *Standing Directions of the Minister for Finance 2016* (2016 Standing Directions) require a formal attestation statement in your annual reports. All agencies with a 31 December reporting date must complete an attestation statement for the period **1 January 2018** to **31 December 2018,** in relation to **all** applicable 2016 Standing Directions and Instructions as required and in the form prescribed by [Instruction 5.1, clause 2](http://www.dtf.vic.gov.au/files/0b43b325-68cc-4285-9055-a5a6010a5a01/Standing-Directions-Instructions-2016.docx).2. The previous risk management and insurance attestation has ceased and has been incorporated into this overarching attestation statement.

New ministerial directions relating to public construction procurement were developed under Part 4 of the *Project Development and Construction Management Act 1994* (PDCM Act) and have come into effect. The 2016 Standing Directions have been revised to draw attention specifically to the need for relevant departments and agencies to apply these directions and to attest to compliance with that requirement.

If you have any further queries on the Standing Directions, please direct your queries to the DTF Financial Frameworks team mailbox: [standing.directions@dtf.vic.gov.au](mailto:standing.directions@dtf.vic.gov.au).

## Wage inflation and discount rates

DTF publishes the wage inflation and discount rates quarterly for the September, December and March quarters.

The wage inflation and discount rates are published for both the 2004 and 2008 Long Service Leave Models. Wage inflation rates reflect current economic assumptions made in the preparation of the State Budget. The discount rates are representative of the yield of Commonwealth Treasury bonds, published by the Reserve Bank of Australia.

## Proposed amendments to the *Financial Management Act 1994* and *Constitution Act 1975*

The *Financial Management and Constitution Acts Amendment Bill 2017* was not debated during the 2018 sittings of State Parliament and so automatically lapsed, along with all other Bills, which were still before Parliament when the Parliament expired on 30 October 2018. The issue of financial management reform and possible legislative changes will be a matter for the incoming Government and Parliament.

## Key financial publication dates for the State of Victoria in 2018‑19

The following table shows the indicative key publication tabling dates for some of the State’s upcoming financial publications.

|  |  |  |
| --- | --- | --- |
| Reporting year | Publication | Anticipated release dates –  actual dates to be confirmed |
| 2018-19 | Mid-Year Financial Report | Legislative due date: 15 March 2019 |
| 2019-20 | Budget papers | Anticipated date: 30 April 2019 |
| 2018-19 | March Quarterly Financial Report | Anticipated date: 30 April 2019. Normally included in the Budget papers |
| 2018-19 | Annual Financial Report | Legislative due date:15 October 2019 |
| 2018-19 | Department and entity reporting | Legislated due date: 31 October 2019. Entities are encouraged to table their annual reports prior to the legislated due date. |

# AASB update

## Key AASB Standards effective for 2018‑19

### AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaced AASB 139 *Financial Instruments – Recognition and Measurement*. It applies to the reporting periods beginning on or after 1 January 2018. For Victorian Government entities with a 30 June year end, the initial application date was 1 July 2018.

With limited exceptions, AASB 9 must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. It applies to all financial instruments in existence as at the transition date. Comparatives are not required to be restated and transition differences are recorded as an opening retained earnings adjustment. It is at the transition date that the various elections and designations are required to be made. There are additional disclosures requirements under AASB 9. Some of the key transition disclosures include:

* simplified classifications under AASB 9 (replacing the original classifications under AASB 139);
* qualitative information, such as the reasons for any designation into or de-designation from fair value through profit or loss;
* any reclassifications upon adoption of AASB 9 (e.g. from available for sale to fair value through other comprehensive income);
* change in measurement basis (e.g. from amortised cost to fair value through profit or loss);
* increase in impairment provisions on transition to AASB 9; and
* a reconciliation from the original allowance or provision levels under AASB 139 to the opening expected loss allowance under the new standard.

Post-transition, additional disclosure requirements arise principally in areas of fair value through other comprehensive income, investments in equity instruments, impairment and hedge accounting.

The level of disclosure must be determined separately at the whole of State, departmental and entity/agency levels. Further guidance and illustrated examples are included in AASB 9 *Implementation Guidance* and will also be included in the 2018-19 Model Report.

## Key AASB Standards issued but not effective for 2018‑19

### AASB 2018-4 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors

When AASB 15 was finalised a few years ago, the Australian Accounting Standards Board (AASB) indicated it will be considering non-IP licences in the public sector as a separate project. In September 2018, the AASB issued AASB 2018-4 after a lengthy consultation process. At a high level, AASB 2018-4 provides the following guidance:

* matters to consider in distinguishing between a tax and a licence, with all taxes being accounted for under AASB 1058;
* IP licences are to be accounted for under AASB 15; and
* non-IP, such as casino licences, are to be accounted for in accordance with the principles of AASB 15, after first having determined whether any part of the arrangement should be accounted for as a lease under AASB 16.

For public sector licensors a determination will be required as to the goods and services that are delivered to the licensee, in addition to the right to operate the licence.

An area that will require significant judgement relates to the timing of transferring control to operate the licence to the licensee/customer. If the licensor retains significant rights, including rights to unilaterally change the licence conditions or have termination rights, then these would be indicative of the licence being transferred to the licensee over time, which will require any upfront payments to be recorded over the licence term as opposed to upfront.

### AASB 2018-5 *Amendments to Australian Accounting Standards – Deferral of AASB 1059.*

The AASB recently announced a one-year deferral on the new accounting requirements for public sector grantors in service concession arrangements. As a result, AASB 1059 Service Concession Arrangements – Grantors will apply to annual periods beginning on or after 1 January 2020, rather than 1 January 2019.

#### Victorian whole of government application

DTF intends to early adopt AASB 1059 for whole of government reporting in line with the original adoption date of 1 January 2019, i.e. the 2019-20 financial year.

An outline of the grantor accounting requirements for service concession assets, service concession liabilities and transition requirements under AASB 1059 was provided in our last newsletter. Advice on the determination of the impact on transition, Chart of Accounts and journal examples is included in DTF’s information booklet *Application of New Accounting Standards in the 2019‑20 Budget*, which is referenced in more detail later in this newsletter.

### Proposed amendments to IFRS 17 and AASB 17 *Insurance contracts*

AASB 17 *Insurance Contracts* was issued in July 2017, replacing AASB 4 *Insurance Contracts.*

This Standard requires an entity to:

* measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts;
* recognise profits as it delivers insurance services (rather than when it receives premiums); and
* provide information about insurance contract profits the company expects to recognise in the future.

These requirements are designed to help users of financial statements to understand insurer’s exposure, profitability and financial position.

The new Australian Accounting Standard is effective for annual reporting periods beginning on or after 1 January 2021. However, to acknowledge the concerns and implementation challenges expressed since IFRS 17 *Insurance Contracts* (the international equivalent of AASB 17) was issued, the International Accounting Standards Board (IASB) voted to propose to amend IFRS 17 and to propose a one-year deferral of the effective date of IFRS 17 to 1 January 2022.

In its December meeting, the IASB agreed to propose one narrow-scope amendment to require presentation of insurance contracts on the balance sheet at the portfolio level, rather than at the grouping level used for contract measurement purposes. The higher level of aggregation of asset or liability presentation is considered a significant simplification and should help to reduce some of the implementation costs.

The IASB’s discussions will continue in early 2019 and will be followed by a public consultation on the proposed amendment(s) before any changes are confirmed.

For further details, particular details of implementation issues specific to the Australian public sector, please refer to our previous newsletter.

## Other new Standards issued since 1 July 2018

### AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*

AASB 2018-3 was issued in August 2018.

This Standard amends AASB 16 *Leases* and AASB *1058 Income of Not-for-Profit Entities to identify Reduced Disclosure Requirements for entities applying Australian Accounting Standards – Reduced Disclosure Requirements*.

This standard is not applicable to the State of Victoria, its departments and agencies, given they are required to prepare general purpose financial statements.

**AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business***

AASB 2018-6 was issued in December 2018. This Standard amends AASB 3 *Business Combinations* to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

* clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
* remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
* add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
* narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
* add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

This Standard applies to annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

**AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material***

AASB 2018-7 was issued in December 2018. This Standard principally amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 10 *Events after the Reporting Period*, include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material. The amendments also clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications.

This Standard applies prospectively to annual reporting periods beginning on or after 1 January 2020. Earlier application is permitted.

## Exposure drafts issued for comment by the AASB

ED 287 – Onerous Contracts – Cost of Fulfilling a Contract proposes to amend AASB 137 to specify that the costs of fulfilling a contract include both incremental costs (such as the costs of materials), as well as an allocation of other costs directly related to the contract, such as the depreciation charge for equipment the company uses to fulfil contracts. This is because AASB 137 currently does not specify which costs to include in determining the cost of fulfilling a contract. The differing views could lead to material differences in the financial statements of entities that enter into some types of contracts as some may adopt the incremental cost approach, including only costs an entity would avoid if it did not have the contract, and others the directly related cost approach, which includes all costs and an allocation of other costs incurred on activities required to fulfil the contract. The proposed amendments reflect the directly related cost approach.

# Accounting Standards project

## 2019‑20 Budget implementation

DTF has issued a comprehensive reference booklet to assist in the implementation of the new accounting standards for the 2019‑20 Budget.

The information booklet *Application of New Accounting Standards in the 2019-20 Budget* – *Instructions and Guidance Materials to Victorian Government Departments and related portfolio entities* issued by DTF on 20 December (version 2) outlines the State’s policy positions and provides advice (including checklists and examples where appropriate) to aid individual entities in determining their positions and the transitional impact of the new Standards when preparing update journals for the 2019-20 Budget and related forward estimates.

The following is a summary extract of the time lines included in the booklet.

* **Tuesday, 22 January 2019 (5:00pm)** – journals to reflect the impact of the new standards on the budget and forward estimates included in the Budget Update publication finalised in SRIMS, including a separate opening balance journal (1 July 2019) and a movement journal for the budget year and the forward estimates for each accounting standard change.
* **Tuesday, 22 January 2019 (5:00pm)** – Templates informing the profile for recognition of Commonwealth capital and output grants (baseline update) under AASB 15 and AASB 1058 sent to your DTF relationship manager.
* **Tuesday, 22 January 2019 (5:00pm)** –Quality assurance checklists for each of the new accounting standards emailed to your DTF relationship manager.
* **Tuesday, 5 February 2019 (5:00pm)** – Non-policy output and asset adjustments finalised in SRIMS based on current accounting standards.
* **Friday, 8 February 2019 (5:00pm)** – Non-policy output and asset adjustments finalised in SRIMS to reflect the new accounting standards.
* **Friday, 8 February 2019 (5:00pm)** – Templates updated for non-policy impacts on the profile of milestones of capital and output grants under AASB 15 and AASB 1058. Send to your DTF relationship manager.
* **Thursday, 28 February 2019 (5:00pm)** – MoG changes adjustments finalised in SRIMS.
* **Wednesday 20 March 2019 (5:00pm)** – Templates informing the profile for recognition of Commonwealth capital and output grants under AASB 15 and AASB 1058 sent to your DTF relationship manager. (Changes related to carryovers and rephrases).
* **Friday 5 April 2019 (5:00pm)** – Templates informing the profile for recognition of Commonwealth capital and output grants under AASB 15 and AASB 1058 sent to your DTF relationship manager. (Changes in grants revenue related to the Commonwealth Budget).

### AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of Not‑for‑Profit Entities*)

For the 2019-20 Budget and related forward estimates, AASB 15 and AASB 1058 need to be complied with and may result in the deferral of revenue in the estimates.

AASB 15 requires consideration in the form of cash or other assets be allocated to performance obligations and for revenue to be recognised when these performance obligations are satisfied.

The overarching requirement of AASB 1058 is that income is only recognised once it has been established that:

* there is no requirement to recognise a liability in accordance with any other Australian Accounting Standard; and
* the consideration was not received to construct an asset that will be controlled by the entity (which will require the income to be recognised in line with the construction profile of the asset).

The requirements of the standards need to be assessed and applied on a contract by contract basis. The requirement to defer capital grants over the construction period of the asset to which it relates was identified as having the most significant impact.

#### Volunteer services

AASB 1058 includes similar recognition criteria for volunteer services as those included in the existing AASB 1004. DTF has conducted an outreach to reaffirm it is still justified that volunteer services are not recognised in the operating statement of the State.

#### Non-IP Licences

In September 2018, the AASB issued guidance for public sector not-for-profit entities in connection with non-IP licences. The amendment: AASB 2018-4 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Public-Sector Licensors* (AASB 2018-4) provides clarity on the application of AASB 15 to licence arrangements and is discussed in more detail on page 6 of this newsletter.

### AASB 16 *Leases*

AASB 16 *Leases* will supersede the existing AASB 117 *Leases.* The effective date is for annual reporting periods beginning on or after 1 January 2019 (the 2019-20 reporting period).

The 2019-20 Budget will be prepared under the new leasing standard, with the exception of the requirement to fair value leases that have significantly below-market terms and conditions, principally to enable the entity to further its objectives (peppercorn leases). AASB 2018-8 *– Amendments to Australian Accounting Standards* – *Right-of-Use Assets (RoU) of Not-for-Profit Entities* allows a temporary option for not-for-profit entities to not measure RoU assets at initial recognition at fair value in respect of leases that have significantly below-market terms, since further guidance is expected to be developed to assist not-for-profit entities in measuring RoU assets at fair value. The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such RoU assets at cost rather than fair value) to include additional disclosures. DTF intends to choose the temporary relief to value the RoU asset at the present value of the payments required (at cost). This relief should provide clarity and efficiency in preparing journals under both AASB 16 and AASB 1058.

Workshops were held at DTF during December to discuss the implementation of the leasing standard. During these meetings it was confirmed no further leasing templates would be distributed. The most recent template that was rolled forward and containing the budget estimates dates would be appropriate. Departments, agencies and portfolio entities are reminded they are responsible for their own lease journals and accuracy of their registers. The TCV rate calculator was updated and distributed to ensure the appropriate estimate year is calculated correctly. Importantly, leases that expire, are held over, or have a short-term nature in replacement for a long‑term lease are required to be projected over the forward estimates by replicating the lease based on the past lease’s contractual terms if unknown at this stage. The reason for this is the budget estimates are required to show the true funding and debt costs to the State and therefore are required to include all leases over the forward estimates. Please contact your departmental finance teams for further information.

Shared Services Provider (SSP) has been in contact with departments regarding their accommodation leases and have taken feedback and released an updated version of their accommodation lease register. Ensure you have the latest version and understand and agree with the assumptions in the model, particularly for leases that do not have options to extend and require departments to make a decision on whether the lease will continue. These leases have been identified and provided to departments that are responsible to replicate the relevant leases in the budget register.

The Victorian Auditor-General’s Office (VAGO) has confirmed the low value lease amount of $10 000 and the policy position paper for leases. It is important to ensure adherence to these policy decisions to provide a consistent approach across the whole of government.

### AASB 1059 *Service Concession Arrangements: Grantors*

Our previous newsletter included information regarding the requirements and implications of AASB 1059 and that information is not repeated here.

As noted on page 6, the AASB has decided to defer the application date of AASB 1059 to periods begin on or after 1 July 2020. At the time of issuing this newsletter, it remains DTF’s intention to adopt the Standard early to coincide with the application of AASB 16.

# How to contact us

## AccPol mail box

When directing accounting policy enquiries to DTF at[accpol@dtf.vic.gov.au](mailto:accpol@dtf.vic.gov.au), **departments** are requested to support their questions with the facts and with clear referencing to Accounting Standards, FRDs and other authoritative pronouncements related to their queries.

**Other entities** are requested to contact their portfolio department in the first instance to resolve any accounting policy issues.

## Useful websites

**AASB**– [www.aasb.com.au](http://www.aasb.com.au) for information on AASB pronouncements, discussion papers and ED publications.

**International Public-Sector Accounting Standards Board** (IPSASB) – [www.ipsasb.org](http://www.ipsasb.org) for information on IPSASB and IPSAS-pronouncements.

## DTF website

**The DTF website (for all internet users)** – [www.dtf.vic.gov.au](http://www.dtf.vic.gov.au/Government-Financial-Management/Financial-reporting-policy), covers FRDs and guidance, the Model Report, accounting policy updates, long service leave models and related data input, including wage inflation and discount rates. From the menu on the top of the home page, users should select Financial Management of Government, then Financial Reporting Policy.

**VPS users** should contact their portfolio department in the first instance for the login details to access the information relating to the 2008 Long Service Leave Model and/or, the Valuer‑General building and land indices.

For assistance with technical difficulties using the DTF website, e.g. broken links, please contact the DTF web team via email at [dtfweb@dtf.vic.gov.au](mailto:dtfweb@dtf.vic.gov.au)

## About the Accounting Policy Update

Accounting Policy Update is published by the Accounting Policy team of DTF twice a year. The aim of the newsletter is to highlight changes in financial reporting requirements affecting public sector entities, outlining any financial reporting related policy decisions reached by DTF and to inform readers of other developments that are under consideration by the AASB.

**Disclaimer:** No responsibility is taken for any action(s) taken on the basis of information contained in this Newsletter nor for any errors or omissions in that information.

Accounting Policy Update   
ISSN 2205‑4014

© State of Victoria 2019

[](http://creativecommons.org/licenses/by/3.0/au/)

You are free to re‑use this work under a [Creative Commons Attribution 4.0 licence](http://creativecommons.org/licenses/by/4.0/), provided you credit the State of Victoria (Department of Treasury and Finance) as author, indicate if changes were made and comply with the other licence terms. The licence does not apply to any branding, including Government logos.

Copyright queries may be directed to [IPpolicy@dtf.vic.gov.au](mailto:IPpolicy@dtf.vic.gov.au).