

# AWARENESS

Accounting and Auditing Developments - ISSUE 01 - FEBRUARY 2011

## AUDIT OFFICE UPDATE

### **Auditor-General's Report to Parliament: Volume Eleven 2010 - Health and Ports**

#### *Health and Ports*

This [volume](#)<sup>1</sup> includes comments on the financial audits of NSW Government health agencies for the year ending 30 June 2010.

Health Services continue to struggle to pay creditors on time. Although there was an improvement in creditor payments, none of the eight Area Health Services paid all their creditors within the required 45 days for eleven of the twelve months to 30 June 2010. Compounding this is the very high level of invoices (\$61.6 million) that are on hold or in dispute.

Health Services are not properly managing their critical plant and equipment. A high level of Health's assets valued at nil are still being used. At the end of the 2010 financial year, 30 per cent of plant and equipment (\$453 million) had been fully depreciated.

There are significant internal control weaknesses in the financial processing and payroll functions provided by the Health Administration Corporation to the Area Health Services. This is largely due to these entities not agreeing on who is responsible for particular controls. These internal control weaknesses have increased the risk that errors and irregularities can occur in critical financial systems such as accounts payable and payroll.

All eight Area Health Services met their emergency department benchmarks for treating immediately life threatening (T1) situations. Three did not meet benchmarks for imminently life threatening (T2) situations, and seven did not meet them for potentially life threatening (T3) situations. The number of patients on elective surgery lists increased from 64,512 to 66,817. However, those overdue for surgery decreased by 25 per cent, falling from 1,587 to 1,197 at 30 June 2010.

#### *Internal Audit and Risk Management Readiness Review*

Volume Eleven 2010 also includes the results of a survey that asked 137 NSW Government agencies to self assess their compliance with NSW Treasury Policy Paper TPP09-05 'Internal Audit and Risk Management Policy for the New South Wales Public Sector'. TPP09-05 requires departments and statutory bodies to implement core requirements of internal audit and risk management standards.

Agencies appear to have done much work to establish audit and risk committees and internal audit functions. Independent chairs and members have been appointed to many audit and risk committees. Some agencies' audit and risk committees are new and appear to be experiencing some teething problems. Over 35 per cent of agencies rated their risk management processes as ineffective.

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THE AUDIT OFFICE  
OF NEW SOUTH WALES

## Auditor-General's Report to Parliament: Mental Health Workforce

### *Background*

Mental illness causes significant distress and loss and is responsible for 13 per cent of the disease burden in Australia. In 2006, NSW Health announced *A New Direction for Mental Health*, a five-year plan committing \$939 million to improve mental health, with most of the workforce growth to occur in community based services.

This [audit](#)<sup>2</sup> assessed whether the public mental health workforce, and its distribution, supports the effective and efficient delivery of services.

### *More mental health clinicians*

The number of mental health clinicians in NSW has increased over the past four years. However, most of the increase has been in hospitals rather than in the community. The State has services now for our youngest and oldest mental health patients that didn't exist before. NSW employed between 380 and 680 extra hospital staff and spread them more evenly across the State to where they were needed. These are positive outcomes.

### *Data integrity in question*

NSW Health could not tell the Auditor-General precisely how much the mental health workforce grew. The Department advised that it employed in the range of 600 to 1000 extra staff between 2005-06 and 2008-09. Some of the higher numbers reported by Area Health Services seemed implausible. Health's workforce data is inconsistent and in places inaccurate, making it very difficult to organise its services to meet existing and future demand.

### *Community mental health has not met expectations*

While the Government funded over 500 new community staff by 2008-09, the net growth was perhaps half as much as existing community positions either disappeared or were not filled.

The Government intended to help people earlier in an illness and to provide support in the community. Nearly half of the patients leaving hospital were not followed up by community staff within seven days.

Additionally, one in three kids and two in three aged patients stay in psychiatric hospital beds for extended periods of time because there is nowhere else for them to go.

NSW continues to spend proportionally less on community mental health than most other states.

### *Money sometimes diverted to other programs*

Although mental health funding is supposed to be 'protected' and spent on mental health, around \$20 million a year was diverted from mental health to other areas of Health. This money may not have been wasted, but it meant that the State missed out on another 150 front line mental health clinicians in the community.

### *What needs to be done*

NSW Health should:

- provide more mental health care in the community so that people do not have to wait until they are so sick that they have to be hospitalised
- spend mental health money on mental health services rather than other areas of health
- work with private and non-government services to provide the mentally ill with the care they need when they need it.

## Public Accounts Committee: Seventh Report on the Examination of the Auditor-General's Performance Audits

This [report](#) contains findings and recommendations arising from the Public Accounts Committee's examination into the Auditor-General's Performance Audits on:

- Sustaining Native Forest Operations
- Grants Administration
- Tackling Cancer with Radiotherapy
- Helping Aboriginal Defendants through MERIT. <sup>3</sup>

## ACCOUNTING UPDATE

### Australian Accounting Standards Board (AASB) Pronouncements

#### [AASB 9 Financial Instruments \(re-issued\)](#) and [AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9](#)

AASB 9 was re-issued in December 2010, completing phase 1 of the IASB reform of IAS 39 'Financial Instruments'. The AASB also issued AASB 2010-7 to update the requirements in other Australian Accounting Standards for consistency with the revised AASB 9. AASB 9 now incorporates the:

- classification and measurement requirements for financial liabilities
- recognition and derecognition requirements for financial instruments.

The revised AASB 9 applies to periods beginning on or after 1 January 2013, with early adoption permitted. <sup>4</sup>

#### [AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets](#)

This standard amends AASB 112 'Income Taxes' to reflect amendments to IAS 12 (December 2010). It introduces a presumption that an investment property is recovered entirely through sale. The amendment provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in AASB 140 'Investment Property'.

The standard applies to annual reporting periods beginning on or after 1 January 2012, with early adoption permitted. <sup>5</sup>

#### [AASB 2010-9 Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters](#)

This standard amends AASB 1 'First-time Adoption of Australian Accounting Standards', reflecting amendments to IFRS 1 (December 2010) by providing:

- relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards
- guidance for entities emerging from severe hyperinflation either to resume presenting Australian Accounting Standards financial statements or to present Australian Accounting Standards financial statements for the first time.

The standard applies to annual reporting periods beginning on or after 1 July 2011, with early adoption permitted. <sup>6</sup>

## [AASB 2010-10 Further Amendments to Australian Accounting Standards - Removal of Fixed Dates for First-time Adopters](#)

This Standard makes amendments to the following Australian Accounting Standards:

- AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9.

These amendments arise from the issuance of 'Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters' (amendments to IFRS 1) in December 2010.

The standard applies to annual reporting periods beginning on or after 1 January 2013, with early adoption permitted.<sup>7</sup>

## [ED 207 Amendments to AASB 7: Tier 2](#)

This exposure draft relates to:

- amendments to AASB 7 arising from the revised AASB 9 'Financial Instruments' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9'
- amendments to AASB 7 arising from AASB 2010-6 'Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets'
- consequential amendments to AASB 101 'Presentation of Financial Statements' relating to line items to be shown on the face of the financial statements

The ED includes proposals on the disclosure requirements that could be included in the Tier 2 reporting requirements. Submissions to the AASB are due by 28 February 2011.<sup>8</sup>

## **AASB Meeting Highlights - 8-9 December 2010**

At its [meeting](#)<sup>9</sup>, the AASB discussed the following.

### **Trans-Tasman Convergence**

The Board considered issues relating to the draft amending standard and the draft standard 'Australian Additional Disclosures' and expressed a preference to locate the additional domestic disclosures in a separate disclosure standard rather than locate them in topic-based standards.

The FRSB is expected to issue a consultation paper in the first quarter of 2011 seeking comments from its constituents on a proposal to converge with the Australian Reduced Disclosure Requirements.

### **Superannuation Plans and Approved Deposit Funds (ADFs)**

The Board continued its re-deliberations on ED 179 'Superannuation Plans and Approved Deposit Funds' to determine proposals to include in a revised ED of the replacement standard for AAS 25 'Financial Reporting by Superannuation Plans'.

The Board tentatively decided to propose that superannuation plans or ADFs:

- apply AASB 1031 'Materiality' in deciding whether to present a statement of changes in equity
- provide disaggregated financial disclosures in accordance with AASB 8 'Operating Segments', unless proposed exceptions are applicable.

### **Income from Non-Exchange Transactions**

The Board continued its re-deliberations of proposals in AASB ED 180/FRSB ED 118 'Income from Non-Exchange Transactions (Taxes and Transfers)' for identifying liabilities of Not-For-Profit (NFP) entities arising as recipients of assets in non-exchange transactions.

The Board re-considered the proposed treatment of 'advance receipts' (resources received prior to a taxable event occurring or a transfer arrangement becoming binding). The Board confirmed its decision that 'advance receipts' give rise to liabilities. The nature of such a liability is an unconditional obligation to stand ready to return transferred assets if the expected taxable event does not occur or the transfer arrangement does not become binding.

## Control in the Not-for-Profit (NFP) Public and Private Sectors

The IASB expects to issue IFRS 10 'Consolidated Financial Statements' in the first quarter of 2011 to replace IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation - Special Purpose Entities'.

The Board decided it will issue AASB 10 (incorporating IFRS 10) soon after IFRS 10 is issued, but with early adoption by NFP entities not permitted until the Board has addressed relevant NFP sector issues.

## AASB Conceptual Framework - Objective and Qualitative Characteristics

The Board discussed a further draft of a revised AASB Conceptual Framework incorporating the two new chapters of the IASB Conceptual Framework dealing with the 'Objective of General Purpose Financial Reporting' and the 'Qualitative Characteristics of Useful Financial Information'. The Board decided to:

- issue as soon as possible a revised AASB Framework applicable to for-profit entities that is identical to the revised IASB Framework
- retain the existing AASB Framework (including its 'Aus' paragraphs) for application by NFP entities for the time being.

The Board also decided to retain SAC 1 'Definition of the Reporting Entity', given the references to 'reporting entity' in the application paragraphs of Australian Accounting Standards.

## International Monetary Fund (IMF) review of GFS

The Board noted the IMF is undertaking a review of the Government Finance Statistics Manual 2001 (GFSM 2001) and that the Australian Bureau of Statistics (ABS) is coordinating an Australian response. The primary purpose of the review is to converge GFSM 2001 with the 2008 System of National Accounts, therefore there is likely to be only a limited opportunity to advance the cause of GAAP/GFS harmonisation.

Within the constraints of the Board's higher priorities, the Board directed staff to monitor and respond to the ABS on any consultation papers issued by the ABS in relation to the review.

## Other matters discussed

- Update on the IPSASB November 2010 meeting.
- IPSASB conceptual framework.
- The IASB's tentative proposals on the revised general hedge accounting model and its impact on various types of hedging activities.
- The Board's submission on the IASB's 'Request for Views on Effective Dates and Transition Methods'.
- The Board's response to the questions in the IFRS Foundation's Paper 'Status of Trustees' Strategy Review'.
- The Board's response to the IFRS Interpretations Committee Review Questionnaire.

## AUDITING UPDATE

### Auditing and Assurance Standards Board (AUASB) Exposure Draft

#### [ED 03/10](#) *Proposed Standard on Assurance Engagements ASAE 4400 'Agreed-Upon Assurance Procedures to Report Factual Findings' (Revision of AUS 904)*

This exposure draft addresses the assurance practitioner's responsibilities when providing a report of factual findings based on agreed-upon assurance procedures. These engagements involve the conduct of assurance procedures agreed with the engaging party and use of the factual findings is restricted to the intended users identified in the report. The assurance practitioner does not explicitly provide assurance as only factual findings are reported and a conclusion or opinion is not expressed.<sup>10</sup>

Submissions to the AUASB were due by 8 February 2011.

## ETHICS UPDATE

### Accounting Professional and Ethical Standards Board (APESB) Pronouncements

#### [Revised APES 110](#) *Code of Ethics for Professional Accountants (the Code)*

The new code aligns Australia's professional requirements with international standards and also includes Australian specific requirements relating to inadvertent violations and multiple threats to auditors' independence.

The code encompasses two new concepts; Public Interest Entities and Key Audit Partners. It also splits the existing Section 290, dealing with auditor independence, into two sections. The new Section 291 deals with independence requirements relating to the provision of assurance services other than audits and reviews of financial statements.

A key issue the APESB considered during the development process was which entities in Australia, in addition to listed entities, should be captured within the definition of Public Interest Entities. APESB determined to retain the definition from the international code and will conduct further work in respect of this issue in 2011. The new code will be effective from 1 July 2011 with early adoption permitted.<sup>11</sup>

#### [APES 310](#) *Dealing with Client Monies*

This new standard replaces APS 10 'Trust Accounts' and GN3 'Operation of Trust Accounts'. It broadens accountants' obligations involving client monies and extends annual audit requirements to client bank accounts. The professional obligations of accountants dealing with client monies have been separated from auditors' obligations. The new standard will be effective from 1 July 2011.<sup>12</sup>

### APESB Meeting Highlights - 16-17 November 2010

At its [meeting](#)<sup>13</sup>, the APESB discussed the following.

#### *Pronouncements*

- APES 350 'Participation by Members in Public Practice in Due Diligence Committees in Conjunction with a Public Document (six monthly review) - a materiality letter is to be developed for inclusion as an appendix.
- APES 205 'Conformity with Accounting Standards' (annual review) - in a new project, this standard will be brought in line with the new differential reporting regime.
- APES 310 'Dealing with Client Monies'.
- APES 220 'Taxation Services' (annual review) - requires amendment to paragraph 9.2 to clearly specify that a Member shall not use, withhold or otherwise appropriate tax refunds.
- APES 215 'Forensic Accounting Services' (annual review) - various amendments required.

### *Submissions received for exposure drafts*

- ED 02/10 'Financial Advisory Services'.
- ED 03/10 'Code of Ethics for Professional Accountants'.

### *Further re-drafting required for draft pronouncements*

- APES 325 'Risk Management for Firms'.
- Guidance note for members in business.
- Guidance note for addressing outsourced accounting services.

### *Annual reviews where there were no issues identified*

- APES 210 'Conformity with Auditing and Assurance Standards'.
- APES 305 'Terms of Engagement'.
- APES 320 'Quality Control for Firms'.
- APES 345 'Reporting on Prospective Financial Information Prepared in Connection with a Disclosure Document'.

## LEGISLATIVE UPDATE

### [Consultation Paper](#) - Scoping Study for a National NFP Regulator

This consultation paper forms part of the Commonwealth Government's 2010 election commitment to strengthen the NFP sector. The paper seeks comment from stakeholders on the goals of national regulation, the scope of national regulation and the functions and form of a national regulator.<sup>14</sup>

Submissions are due to The Treasury by 25 February 2011.

## FINANCIAL REPORTING COUNCIL (FRC) UPDATE

### FRC Meeting Highlights - 16 December 2010

At its [meeting](#)<sup>15</sup>, the FRC discussed the following.

- IPSAS adoption in Australia - not in the near foreseeable future
- follow-up from May strategy meeting, including ideas to:
  - review of the regulatory environment for financial reporting in Australia
  - identify sources of requirements to produce financial and assurance reports outside the Corporations Act and the accounting/auditing standards
- future strategy of the IFRS Foundation
- Green Paper 'Audit Policy - Lessons from the Crisis' by the European Commission
- reports on activities of international bodies
- stakeholder reports
- appointments to the AASB and AUASB
- consistent use of the terminology 'audit' and 'assurance' in government requirements.

# AUSTRALIAN PRUDENTIAL REGULATORY AUTHORITY (APRA) UPDATE

## Basel III Reforms

The Basel Committee on Banking Supervision has published its final package of banking sector reforms, Basel III: A global regulatory framework for more resilient banks and banking systems. Full details of the reforms can be found on the Bank for International Settlements [website](#).

APRA has written to general insurers to advise that aspects of these reforms will be considered as part of APRA's review of general insurance capital requirements. This letter can be located on the [APRA website](#).<sup>16</sup>

# AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION (ASIC) UPDATE

## ASIC Reports

### [Report 226](#) *ASIC issues report on relief decisions (June to September 2010)*

The report outlines decisions ASIC makes when asked to exercise its discretionary powers to grant relief from provisions of the *Corporations Act 2001* (Corporations Act), the *National Consumer Credit Protection Act 2009* (National Credit Act) or the *National Consumer Credit Protection (Transitional and Consequential Provisions) Act 2009* (Transitional Act). It:

- summarises situations where ASIC has exercised, or refused to exercise, its exemption and modification powers under the Corporations Act, the licensing and responsible lending provisions of the National Credit Act and the registration provisions of Schedule 2 of the Transitional Act
- provides examples of decisions that demonstrate how ASIC has applied its policy in practice which should be of particular interest for participants in the capital markets and financial services industry
- highlights instances where ASIC has decided to adopt a no-action position regarding specified non-compliance with statutory provisions.<sup>17</sup>

## ASIC Media Releases

### [10-259AD](#) *ASIC accepts enforceable undertaking from auditor of failed Allco Financial Group Limited*

ASIC found Allco's financial report for the financial year 1 July 2006 to 30 June 2007 contained a misclassification of interest bearing loans (IBLs) as a non-current liability rather than a current liability, in the amount of \$1.9 billion ASIC's particular concerns included whether:

- sufficient appropriate audit evidence was obtained in relation to the classification of IBLs, or alternatively, the conflicting audit evidence which indicated a materially different classification of IBLs to that which appeared in Allco's financial report, was addressed
- adequate consideration was given to materiality and its relationship with audit risk in relation to IBLs
- the audit plan was adequately developed in order to reduce the audit risk to an acceptably low level in relation to disclosures associated with the IBLs.<sup>18</sup>

## 10-282AD ASIC's review of 30 June 2010 financial reports and focuses for 31 December 2010

ASIC released the results of its reviews of financial reports for the year ended 30 June 2010 and highlighted areas of focus for entities preparing their 31 December 2010 financial reports.

A new area of focus for ASIC this year was the reporting of performance. ASIC's reviews highlighted a number of areas where entities could have paid greater attention, including presenting information on the key components of results and a meaningful analysis of the underlying drivers of the statutory profit. The report comments on the following topics:

- reporting performance and business drivers (operating and financial review; alternative profits; and segment reporting)
- control and significant influence
- current market conditions (going concern; asset impairment; fair value of assets; financial instrument disclosures; current vs. non-current classifications; disclosures for estimates and accounting policy judgements)
- other matters (business combinations; debt vs. equity; other comprehensive income; providing information, explanations and assistance to auditors).<sup>19</sup>

## DEPARTMENT OF PREMIER AND CABINET UPDATE

The following recent Circulars and Ministerial Memoranda are available at [www.dpc.nsw.gov.au](http://www.dpc.nsw.gov.au).

- [C2010-38](#) Government Information (Public Access) Act 2009 - Publication Guides.
- [C2010-39](#) Leave for Staff Affected by Flooding in Western NSW.
- [C2010-40](#) Employment Arrangements for the March 2011 General Election.
- [C2010-41](#) Guidelines for Implementation of the Rural and Remote Incentive Scheme.
- [C2010-42](#) New South Wales Government Expenses Policy.
- [M2011-01](#) NSW Centenary of Anzac Commemoration.
- [C2011-01](#) Non-traditional occupations for Women.
- [C2011-02](#) Leave for Staff Affected by Flooding in NSW and the Queensland Emergency Response.
- [C2011-03](#) Accessing leave entitlements and flexible work hours arrangements to observe days of religious significance.
- [C2011-04](#) Amendments to the Public Sector Employment and Management Act 2002.
- [C2011-05](#) Rostered Days Off for Employees under the Crown Employees (Skilled Trades) Award and General Construction (State) Award for 2011, 2012 and 2013.
- [C2011-06](#) International Women's Day 2011.

## THE TREASURY UPDATE (NEW SOUTH WALES GOVERNMENT)

### Treasury Circulars

The following recent Treasury pronouncements are available at [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au).

#### TC 10/15 *Accounting for the Goods and Services Tax (GST)*

Entities must include GST when disclosing commitments and accruals. Where disclosing commitments, entities must also disclose any associated GST recoverable.

This circular applies to all NSW public sector agencies, including Statutory State-Owned Corporations. It does not change the previous policy but withdraws and supersedes NSWTC 05/10.<sup>20</sup>

### [TC 10/16](#) *Accounting for Dividends*

Agencies must sign Statements of Corporate Intent (SCI) or Statements of Business Intent (SBI) before 30 June in the financial year to which they relate so that agencies can recognise year-end dividends in their financial statements.

This circular applies to all NSW public sector agencies, including Statutory State-Owned Corporations. It does not change the previous policy but withdraws and supersedes NSWTC 05/11.<sup>21</sup>

### [TC 11/01](#) *Early Reporting Program - Strategy to improve the quality and timeliness of financial statements and Annual Reports*

Following on from a recent Public Accounts Committee report and a pilot last year of early close procedures, Treasury proposes an expansion in 2010-11 of early close procedures to all large and medium tier agencies that report to Treasury through the TOES reporting system.<sup>22</sup>

### [TC 11/02](#) *Ex Gratia Payments*

Only Ministers have the authority to approve ex gratia payments subject to the guidelines detailed in this circular. This power cannot be delegated. This circular clarifies existing policy and replaces the previous circular NSWTC05/05.<sup>23</sup>

## INTERNATIONAL UPDATE

### International Accounting Standards Board (IASB) Meetings

#### *IASB Meeting Highlights - 1 December 2010*

At this [meeting](#)<sup>24</sup>, the IASB continued its deliberations on phase II of the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The Board discussed the scope and characteristics of an impairment model for a forthcoming ED on impairment of financial instruments.

#### *IASB Meeting Highlights - 3 December 2010*

At this [meeting](#)<sup>25</sup>, the IASB discussed comments received for the ED 'Deferred Tax: Recovery of Underlying Assets' and as a result decided to make various amendments to IAS 12.

#### *Joint IASB/FASB Meeting Highlights - 8 December 2010*

At this [meeting](#)<sup>26</sup>, the IASB/FASB discussed the three methods of accounting for credit impairment presented at the 17 November 2010 joint meeting. The Boards tentatively indicated support for a:

- good book - the recognition of lifetime expected credit losses using a time proportionate approach where the allowance amount will be the higher of a 12 month expected loss estimate and the time proportionate allowance balance
- bad book - full recognition of lifetime expected losses.

The Boards directed staff to develop a principle for determining the estimation period for the expected losses to determine the good book floor rather than use a bright-line threshold such as 12 months.

#### *Joint IASB/FASB Meeting Highlights - 13-17 December 2010*

At its joint [meeting](#)<sup>27</sup>, the IASB/FASB discussed the following:

- asset and liability offsetting
- fair value measurement
- financial instruments: hedge accounting (education session)
- financial instruments: impairment
- insurance contracts (education session)
- revenue recognition.

In a separate meeting, the IASB discussed the following:

- consolidation
- fair value measurement
- financial instruments: impairment
- IFRS 1 - severe hyperinflation
- IFRS Advisory Council update
- post-employment benefits.

### ***Joint IASB/FASB Meeting Highlights - 17-21 January 2011***

At its joint [meeting](#)<sup>28</sup>, the IASB/FASB discussed the following:

- financial instruments: impairment
- insurance contracts (comment letter summary)
- insurance contracts (education session)
- leases
- leases - education session on lessor accounting model(s)
- revenue recognition.

In a separate meeting, the IASB discussed the following:

- annual improvements
- assessment of the proposed annual improvements qualifying criteria
- consolidation and joint arrangements
- IFRS Interpretations Committee update
- joint arrangements (education session)
- post-employment benefits.

## **International Financial Reporting Standards (IFRS) Interpretations Committee**

### ***IFRS Interpretations Committee Meeting Highlights - 6-7 January 2011***

At its [meeting](#)<sup>29</sup>, the IFRS Interpretations Committee discussed the following:

- current agenda:
  - accounting for stripping costs in the production phase of a surface mine
  - contingent pricing of property, plant and equipment and intangible assets
  - put options written over non-controlling interests
- IFRS Interpretations Committee tentative agenda decisions
- issues considered for *Annual Improvements*
- IFRS Interpretations Committee work in progress.

## **International Auditing and Assurance Standards Board (IAASB)**

### **[Proposed ISRE 2400 \(Revised\) Engagements to Review Historical Financial Statements](#)**

The proposed standard deals with the:

- practitioner's responsibilities when engaged to perform a review of historical financial statements, when the practitioner is not the auditor of the entity's financial statements
- form and content of the practitioner's report on the financial statements.<sup>30</sup>

Submissions to the IAASB are due by 20 May 2011.

## [Proposed ISAE 3410 Assurance Engagements on Greenhouse Gas Statements](#)

The proposed standard:

- addresses the practitioner's responsibilities in identifying, assessing, and responding to risks of material misstatement, and contains illustrative assurance reports on greenhouse gas statements
- recognises that most engagements will be undertaken by a multidisciplinary team, so it addresses the need for the assurance practitioner to integrate experts - in engineering or environmental science, for example - into various stages of the engagement
- can be applied to a broad range of circumstances, including emissions from electricity used at a single office; emissions from complex physical or chemical processes at several facilities; or emissions calculated using information from multiple entities in a supply chain
- covers both 'reasonable assurance' and 'limited assurance' engagements for both of which demand is increasingly evident in the marketplace.<sup>31</sup>

Submissions to the IAASB are due by 10 June 2011.

## *IAASB Meeting Highlights - 6-10 December 2010*

At its [meeting](#)<sup>32</sup>, the IAASB discussed the following:

- IAASB strategy and work program for 2012-2014
- engagements to review historical financial statements
- assurance engagements on greenhouse gas statements
- audit of financial statement disclosures
- assurance engagements other than audits or reviews of historical financial information
- auditor reporting
- audit quality
- IAASB staff frequently asked question - ISA 600.

## **International Public Sector Accounting Standards Board (IPSASB)**

### [CF-ED1 Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority, and Scope; Objective and Users; Qualitative Characteristics; and Reporting Entity](#)

This ED refines the issues highlighted in a consultation paper published in 2008 and reflects the IPSASB's consideration of the responses to that consultation paper. It proposes that the objectives of financial reporting should be to provide information for accountability and decision-making purposes. It also proposes that the scope of financial reporting should extend beyond the traditional financial statements to include more comprehensive financial and non-financial information.<sup>33</sup>

Submissions to the IPSASB are due by 15 June 2011.

### [Consultation Paper Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements](#)

This consultation paper identifies alternative asset and liability-led and revenue and expense-led approaches to financial statements and considers the key characteristics of assets, liabilities, revenue and expenses. It also discusses whether further elements should be defined and examines approaches to the recognition of elements.<sup>34</sup>

Submissions to the IPSASB are due by 15 June 2011.

[Consultation Paper](#) *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Measurement of Assets and Liabilities in Financial Statements*

This consultation paper considers the measurement bases that may be appropriate for the elements that are recognised in financial statements. It discusses historical cost, market value, and replacement cost and then examines deprival value as an approach to select the most relevant measurement basis.<sup>35</sup>

Submissions to the IPSASB are due by 15 June 2011.

## MISCELLANEOUS PUBLICATIONS

### Australian National Audit Office (ANAO) Publications

The publications below are available on the [ANAO website](#).

- Government Business Managers in Aboriginal Communities under the Northern Territory Emergency Response.
- Army Aboriginal Community Assistance Program.
- Administration of the Wine Equalisation Tax.
- Indigenous Housing Initiatives: the Fixing Houses for Better Health program.
- Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2010.
- Home Ownership on Indigenous Land Program.
- The Design and Administration of the Better Regions Program.
- Administration of the Trade Training Centres in Schools Program.
- Management of the Tender Process for a Replacement BasicsCard.

### ACT Auditor-General's Office Publications

The publications below are available on the [ACT Audit Office website](#).

- 2009-10 Financial Audits.
- Waiting Lists for Elective Surgery and Medical Treatment.

### New Zealand Office of the Auditor-General Publications

The publications below are available on the [OAG website](#).

- Central government: Results of the 2009/10 audits (volume 1).
- Matters arising from Auckland Council's planning document.
- How the Department of Internal Affairs manages spending that could give personal benefit to Ministers.

### Tasmanian Audit Office Publication

The publication below is available on the [TAS Audit Office website](#).

- Special Report No.95 - Fraud Control.

## Victorian Auditor-General's Office Publications

The publications below are available on the [VAGO website](#).

- Acquittal Report: Results of the 2009-10 Audits.
- Effectiveness of Victims of Crime Programs.
- Motorcycle and Scooter Safety Programs.
- Construction of Police Stations and Courthouses.

## Independent Commission against Corruption (ICAC) Publications

The publications below are available on the [ICAC website](#).

- Investigation into the submission of false claims for sitting day relief entitlement by Angela D'Amore MP and some members of her staff.
- The exercise of discretion under Part 3A of the *Environmental Planning and Assessment Act 1979* and the State Environmental Planning Policy (Major Development) 2005.
- Investigation into the acceptance of corrupt benefits by a city of Canada Bay Council employee.

## Independent Pricing and Regulatory Tribunal (IPART) Publications

The publications below are available on the [IPART website](#).

- NOW letter - Compliance with 2006 Determination - Information Return for 2009- 2010.
- Determination and Final Report - Review of prices for the Water Administration Ministerial Corporation.
- Determination, Report and Recommendation - Review of fares for private ferries & Stockton ferry.
- Final Determination and Report - Rural and regional bus fares from January 2011.
- CityRail and Metropolitan and Outer Metropolitan Bus Services - Prices and Services Report 2010.
- Research Report - Residential energy and water use in Sydney, the Blue Mountains and Illawarra - Results from the 2010 household survey.
- Erratum to Household Survey 2010.
- Final Report - Regulatory tests of past and forecast capital expenditure.
- Final Decision - Financeability tests and their role in price regulation.

## AUDIT OFFICE BETTER PRACTICE GUIDES

The Audit Office produces guides to better practice to assist agencies. The following is a list of those guides and the dates that they were published. All these guides are available on the Audit Office website at [Audit Office of New South Wales website](#).

Title of Guide	Date issued
Monitoring and Reporting on Audit Recommendations	May 2009
Implementing Successful Amalgamations	5 March 2008
Fraud Control Improvement Kit - Meeting your Fraud Control Obligations	20 July 2006
Fraud Control: Current Progress and Future Directions	9 February 2005
Shared Corporate Services: Realising the Benefits	3 November 2004
Management of Intellectual Property	October 2001
E-ready, e-steady, e-government: e-government readiness assessment guide	September 2001
Monitoring and Reporting on Performance Audit Recommendations	June 2001
Internal Financial Reporting	June 2001
Reporting Performance: A guide to preparing performance information for annual reports	November 2000
Contracting Out Review Guide	June 1999
Public Sector Corporate Governance - ready reckoner	April 1999
Methodology for the review of Residential Services for People with Disabilities	June 1998
On Board: guide to better practice for public sector governing and advisory boards	April 1998
The Corporate Credit Card: guidelines for internal control	January 1997
Debtors Administration	September 1996
Administration of Grants	December 1995
Joint operations in the Education Sector	September 1995
Fraud Control: developing an effective strategy: Volume 1: conceptual framework Volume 2: strategy Volume 3: diagnostics Volume 4: Fraud control self audit kit	March 1994 March 1994 March 1994 March 1998

## ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AIFRS/AEIFRS	Australian Equivalents to International Financial Reporting Standards
APRA	Australian Prudential Regulation Authority
ASA	Australian Auditing Standard
ASEA	Australian Standard on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASAE	Australian Standard on Review Engagements
AOSSG	Asian-Oceanian Standard Setters Group
AUASB	Auditing and Assurance Standards Board
BRCWG	Business Regulation and Competition Working Group
ED	Exposure Draft
FASB	Financial Accounting Standards Board (USA)
FCAG	Financial Crisis Advisory Group
FRSB	Financial Reporting Standards Board of the New Zealand Institute of Chartered Accountants
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GG	Government Gazette
GG SS	Government Gazette Special Supplement
GGS	General Government Sector
GPFR	General Purpose Financial Report
IAASB	International Auditing and Assurance Standards Board
HoTARAC	Heads of Treasuries Accounting and Reporting Advisory Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IFRS Committee	International Financial Reporting Standards Interpretations Committee
IFRS Foundation	International Financial Reporting Standards Foundation
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
ISACA	Information Systems Audit and Control Association
ISQC	International Standards on Quality Control
IVSC	International Valuation Standards Council
PCAOB	Public Company Accounting Oversight Board

## COPIES OF REPORTS AND PUBLICATIONS

All performance audit reports are available on The Audit Office web site at [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au) and can be purchased from the New South Wales Government Information Service (telephone 9743 7200).

Publications of the Australian Auditing and Assurance Standards Board (AUASB) including auditing and assurance standards, guidance statements, and other guidance and exposure drafts are available direct from the AUASB as follows:

Australian Auditing and Assurance Standards Board  
Phone: (03) 8080 7400  
Fax: (03) 8080 7450  
Postal Address: PO BOX 204 Collins Street West, Victoria 8007  
Website: [www.auasb.gov.au](http://www.auasb.gov.au).

Publications of the Australian Accounting Standards Board (AASB), including Accounting Standards and Exposure Drafts are available direct from the AASB as follows:

Phone: (03) 9617 7600  
Fax: (03) 9617 7608  
Postal Address: PO BOX 204 Collins Street West, Victoria 8007  
Website: [www.aasb.com.au](http://www.aasb.com.au)

Copies of International Federation of Accountants (IFAC) publications may be obtained direct from IFAC, 535 Fifth Avenue, 14th Floor, New York, NY 10017, USA (tel 212/286.9344 or fax 212/286.9570 or by visiting the IFAC web site at [www.ifac.org](http://www.ifac.org)).

Copies of International Accounting Standards, Exposure Drafts and International Accounting Standards Board (IASB) publications may be obtained direct from the IASB, 30 Cannon Street, London EC4M 6XH, United Kingdom (tel +44 (020) 7332-2730 or fax +44 (020) 7332-2749 or email [publications@iasb.org](mailto:publications@iasb.org) or Internet [www.iasb.org](http://www.iasb.org)).

Copies of New South Wales Government legislation including changes to legislation can be purchased from the New South Wales Government Information Service. The legislation is also on the Internet at [www.legislation.nsw.gov.au](http://www.legislation.nsw.gov.au).

Treasury publications may be viewed by visiting the New South Wales Treasury web site at [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au)

Copies of Premier's Department Circulars and Premier's Memoranda may be viewed by visiting the Premier's Department website at [www.dpc.nsw.gov.au](http://www.dpc.nsw.gov.au).

*The AWARENESS Newsletter is of a general nature only and is not intended to be a substitute for or relied upon as specific professional advice. No responsibility for loss occasioned to any person acting on or refraining from action as a result of any material in the publication can be accepted.*

## FURTHER INFORMATION

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- <sup>2</sup> [www.audit.nsw.gov.au](http://www.audit.nsw.gov.au), Performance Audit Report to Parliament, Mental Health Workforce (16 December 2010)
- <sup>3</sup> [www.parliament.nsw.gov.au/publicaccounts](http://www.parliament.nsw.gov.au/publicaccounts), PAC Report No. [15/54] (178) (December 2010)
- <sup>4</sup> [www.aasb.com.au/Home.aspx](http://www.aasb.com.au/Home.aspx); Accounting and Assurance News Today, Issue 49 (17 December 2010)
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- <sup>15</sup> [www.frc.gov.au](http://www.frc.gov.au), bulletin 2010/05 (16 December 2010)
- <sup>16</sup> Accounting and Assurance News Today, Issue 50 (23 December 2010)
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- <sup>18</sup> [www.asic.gov.au](http://www.asic.gov.au), ASIC advisory 10-259 (6 December 2010)
- <sup>19</sup> [www.asic.gov.au](http://www.asic.gov.au), ASIC advisory 10-282 (22 December 2010)
- <sup>20</sup> [www.treasury.nsw.gov.au](http://www.treasury.nsw.gov.au), NSW TC 10/15 (8 December 2010)
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