

AWARENESS

Accounting and Auditing Developments ISSUE 03 - April 2007

ACCOUNTING UPDATE

Australian Accounting Standards Board (AASB)

Australian accounting pronouncements

AASB 1048 'Interpretation and Application of Standards'

This Standard outlines the Interpretations applicable to financial years ending on or after 31 March 2007. It has been revised and reissued to include the Interpretations below:

- AASB Interpretation 4 'Determining whether an Arrangement contains a Lease'
- AASB Interpretation 11 'AASB 2 - Group and Treasury Share Transactions'
- AASB Interpretation 12 'Service Concession Arrangements'
- AASB Interpretation 129 'Service Concession Arrangements: Disclosures [Revised]'

Revised Accounting Standards

The Standards below have been revised and reissued to include changes resulting from other Accounting Standards that occurred up until 15 February 2007.

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'
- AASB 117 'Leases'
- AASB 118 'Revenue'
- AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'
- AASB 121 'The Effects of Changes in Foreign Exchange Rates'
- AASB 127 'Consolidated and Separate Financial Statements'
- AASB 131 'Interests in Joint Ventures'
- AASB 139 'Financial Instruments: Recognition and Measurement'

Copies of all Standards are available from the AASB website: www.aasb.com.au

CONTENTS

ACCOUNTING UPDATE	1
AUDITING UPDATE	2
ETHICAL UPDATE	3
INTERNATIONAL UPDATE	3
MISCELLANEOUS PUBLICATIONS	4
LEGISLATIVE UPDATE	5
PREMIER'S DEPARTMENT UPDATE	5
AUDIT OFFICE BETTER PRACTICE GUIDES	6
ACRONYMS AND ABBREVIATIONS	7
COPIES OF REPORTS AND PUBLICATIONS	8

AUDITING UPDATE

Australian exposure drafts

ED 1/07 'Proposed Amendments to ASA 700 The Auditor's Report on a General Purpose Financial Report'

This ED proposes to amend ASA 700 to include a statement in the auditor's report on compliance with International Financial Reporting Standards (IFRSs). The supporting reason is that it is in the public interest to increase international recognition of Australia's adoption of IFRSs.

The ED is open for comment until 15 May 2007. A copy of the ED is available from the AUASB website: www.auasb.gov.au.

ED 2/07 'Proposed Framework for Assurance Engagements (Re-Issuance of AUS 108)'

This ED proposes to define and describe the elements and objectives of an assurance engagement, and identify engagements to which ASAs, Standards on Review Engagements and Standards on Assurance Engagements apply. Notable changes from AUS 108 include adopting a sector neutral approach and expanding the meaning of reasonable assurance.

The ED is open for comment until 15 May 2007. A copy of the ED is available from the AUASB website: www.auasb.gov.au.

ED 3/07 'Proposed Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Re-Issuance of AUS 110)'

This ED proposes mandatory requirements for assurance engagements other than audits or reviews of historical information, and provides explanatory guidance and illustrative examples to assist in fulfilling the mandatory requirements. Notable changes from AUS 110 include:

- adopting a sector neutral approach
- expanding the definition of reasonable assurance to include a high, but not absolute, level of assurance
- extending its application to include a broader group of professionals
- adding an explanatory guidance on fundamental ethical principles.

The ED is open for comment until 15 May 2007. A copy of the ED is available from the AUASB website: www.auasb.gov.au.

Australian Securities and Investments Commission (ASIC)

Disclosing Simpler Superannuation

Superannuation trustees are to disclose the simpler superannuation changes to fund members within a timeframe that allows members to act on the changes. The simpler superannuation changes are prescribed under the *Tax Laws Amendment (Simplified Superannuation) Act 2007*, most parts of which will apply from 15 March 2007.

Source: ASIC IR 07-14.

Disclosure relief for general insurance products extended

ASIC has extended current transitional relief from dollar disclosure requirements for general insurance products to 30 June 2008. See Class Order [CO 07/123] *Variation of Class Order [CO 05/683] Dollar disclosure: further transitional relief*.

Source: ASIC IR 07-11.

ETHICAL UPDATE

Australian Professional and Ethical Standards Board (APESB)

Proposed Standard: APES 340 Contingent Fee Arrangements for Assurance Clients

The APESB has released an exposure draft of ethical pronouncements and mandatory requirements for contingent fees paid for professional services. The closing date for comments on the exposure draft is 31 May 2007. A copy is available from the APESB's website: www.apesb.org.au.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

Meeting 20-22 March 2007

The IASB discussed the following issues:

- financial statement presentation
- business combinations II
- annual improvements process
- conceptual framework
- leases
- financial instruments
- post employment benefits
- IAS 37 redeliberations
- update on IFRIC activities
- IAS 33 Earnings Per Share
- technical plan.

Source: IASB Update March 2007.

Amendment to International Accounting Standard

IAS 23 'Borrowing Costs' was revised. The option to immediately recognise as an expense, borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale, is removed.

Source: IASB Update March 2007.

International Public Sector Accounting Standards Board (IPSASB)

Meetings 20 - 23 March 2007

Social benefits

At its March meeting, the Board affirmed the tentative November 2006 decision to develop an Exposure Draft (ED) dealing only with disclosure. The ED will:

- provide minimum disclosure requirements of amounts to be transferred to those meeting eligibility criteria for cash transfer programs at the reporting date
- define collective and individual goods and services, but will not have disclosure requirements for them
- omit terminology and definitions associated with recognition and measurement (e.g. constructive and present obligations and liabilities).

The Board plans to issue a separate consultation paper addressing social benefit recognition and measurement issues, including:

- when present obligations occur for cash transfer programs and whether contributions and earmarked taxes have an impact on obligating events
- whether present obligations arise to beneficiaries of programs delivering individual goods and services
- whether the revalidation of eligibility criteria is a recognition criterion or a measurement attribute
- the measurement of liabilities arising from present obligations.

IFRS improvement project

The Board approved a project proposal for improvements of selected IPSASs to realign them with the equivalent IFRSs that have been revised since those IPSASs were issued.

Heritage assets

Issues to be discussed in July 2007:

- definition of heritage assets
- redesignation of heritage assets as regular property, plant and equipment.

Financial Instruments

The Board approved the project proposal to amend IPSAS 15 'Financial Instruments: Disclosure and Presentation' in accordance with the changes made to IAS 32 'Financial Instruments: Presentation'.

Equity Combinations

The underlying principles of IFRS 3 'Business Combinations' (i.e. purchase/acquisition method) may be applicable to the public sector, but not to many types of equity combinations in the public sector. An issues paper to address public sector issues will be developed for further consideration.

Source: IPSASB Meeting Highlights and Decisions: www.ifac.org

International Federation of Accountants (IFAC)

The IFAC has released two handbooks:

- 2007 Handbook of International Auditing, Assurance, and Ethics Pronouncements
- 2007 Handbook of International Public Sector Accounting Pronouncements.

Copies of both handbooks are available from IFAC's website: www.ifac.org/store.

Source: IFAC media release 1 March 2007.

MISCELLANEOUS PUBLICATIONS

Australian National Audit Office

Performance audit reports:

- The Conservation and Protection of National Threatened Species and Ecological Communities

Speech:

- An ANAO Perspective of Records in Government

The reports and speech are available at www.anao.gov.au.

Office of the Auditor General for Western Australia

Performance examination report:

- First Public Sector Performance Report 2007
- Second Public Sector Performance Report 2007
- Audit Results Report: Universities and TAFE Colleges; Other audits completed since 16 October 2006; and Legislative Changes and Audit Practice Statement.

These reports are available at www.audit.wa.gov.au.

LEGISLATIVE UPDATE

Public Sector Employment and Management (General) Order 2007

This Order details changes to some Divisions. Changes include:

- The Premier's Department is now the Department of Premier and Cabinet
- The Cabinet Office is abolished and its branches transferred to the Department of Premier and Cabinet
- The Department of Environment and Conservation is now the Department of Environment and Climate Change (DECC)
- The Department of Water and Energy is established as a Division of the government service responsible to the Minister for Climate Change, Environment and Water and to the Minister for Energy
- The Department of Natural Resources is abolished
- The Department of Energy, Utilities and Sustainability is abolished
- NSW Businesslink is abolished.

(GG SS No 47, 2007, page 1)

Public Sector Management (Goods and Services) Amendment Regulation 2007

This Regulation extends the Public Sector Management (Goods and Services) Regulation 2000 to the whole of the public sector service (excluding Parliament).

(GG No 48, 2007, page 2112)

PREMIER'S DEPARTMENT UPDATE

Premier's Department Circulars

C2007-10 - Walk Safely to School Day

This Circular encourages agencies to support the Walk Safely to School Day initiative on Friday 4 May 2007.

The Circulars are available at: www.premiers.nsw.gov.au.

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 www.audit.nsw.gov.au.

Title of Guide	Date issued
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	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
Ambulance Service of New South Wales: debtors administration	September 1996
Ethnic Affairs Commission: administration of grants	December 1995
Joint operations in the Education Sector: a review of establishment, management and effectiveness issues	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
ASIC	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
ED	Exposure Draft
FASB	Financial Accounting Standards Board (USA)
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
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
ISQC	International Standards on Quality Control
PCAOB	Public Company Accounting Oversight Board
UIG	Urgent Issues Group

COPIES OF REPORTS AND PUBLICATIONS

All performance audit reports are available on The Audit Office web site at www.audit.nsw.gov.au and can be purchased from the NSW Government Information Service (telephone 9743 7200).

Publications of the Australian Auditing and Assurance Standards Board (AUASB) including auditing standards, auditing guidance statements, audit guides, exposure drafts and other guidance 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.com.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

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).

Copies of International Accounting Standards, Exposure Drafts and International Accounting Standards Committee (IASB) publications may be obtained direct from the IASB, 166 Fleet Street, London EC4A 2DY, United Kingdom (tel +44 (020) 7427-5927 or fax +44 (020) 7353-0562 or email iasc@iasc.org.uk or Internet www.iasc.org.uk).

Copies of NSW Government legislation including changes to legislation can be purchased from the NSW Government Information Service. The legislation is also on the Internet at www.austlii.edu.au.

Treasury publications (including Circulars) may be viewed by visiting the NSW Treasury web site at 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 <http://www.premiers.nsw.gov.au>.

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