

AWARENESS

Accounting and Auditing Developments ISSUE 04 - JUNE 2006

AUDIT OFFICE UPDATE

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Auditor-General's Report to Parliament - Follow up of 2000 Performance Audit: Fare Evasion on Public Transport

Background

Periodically we review the extent to which agencies have changed their practices as a result of our audits. This gives Parliament and the public an update on the extent of progress made.

In this follow-up audit, we examine changes following our December 2000 report, and whether RailCorp, State Transit and Sydney Ferries better manage fare evasion and, in conjunction with the State Debt Recovery Office, have reduced the rate of fine default.

Audit Opinion

The overall level of fare evasion is now lower, and the revenue forgone much less, than in 2000. The estimation of fare evasion, detection of fare evasion and management of fare compliance by RailCorp, State Transit and Sydney Ferries has improved, although Sydney Ferries needs to improve further. However, only one in four fines for fare evasion is paid within 12 months. This is worse than in 2000. And the number of frequent fare evaders has almost trebled.

The State Debt Recovery Office and the transport agencies need to develop new and improved strategies to reduce the level of fine default and to better manage frequent fare evaders.

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THE AUDIT OFFICE
OF NEW SOUTH WALES

Key Findings

Overall, the estimated level of fare evasion is lower. RailCorp estimates that fare evasion on metropolitan trains has fallen from 4.1 per cent in 2000 to 2.3 per cent in 2005. Revenue lost as a result of fare evasion on trains is now estimated at \$12 million each year, less than half of what it was in 2000.

State Transit estimates that fare evasion on Sydney buses has increased from 0.7 per cent in 2000 to 1.1 per cent in 2005. However, State Transit believes this increase is due to better detection and measurement of fare evasion.

Fare evasion on Sydney Ferries still cannot be measured reliably.

The level of fine default has increased. Three out of every four fines issued for fare evasion are not paid within 12 months, compared to around 60 per cent reported in 2000. Around 95 per cent of fines for fare evasion are for infringements on the rail system, compared with five per cent for buses and ferries.

We found that the management of revenue protection has improved. Compared to 2000, transport agencies now:

- ◀ have improved revenue protection policies and strategic planning, including performance measures
- ◀ make greater use of data and intelligence on fare evasion to deploy resources and determine appropriate compliance strategies
- ◀ have better information on fare evasion
- ◀ have clearly documented policies on exercising discretion
- ◀ have better signs showing the consequences of fare evasion
- ◀ use a range of innovative strategies to improve fare compliance.

Summary of Recommendations

We have suggested that the transport agencies and the State Debt Recovery Office together review data on fine default and payment trends to identify causes and develop alternate ways of dealing with frequent fare evaders.

Further Information

Jane Tebbatt, Director, Performance Audit, jane.tebbatt@audit.nsw.gov.au or on 02 9275 7274. The full report is available from our Internet site on www.audit.nsw.gov.au.

Auditor-General's Report to Parliament - Department of Corrective Services: Prisoner Rehabilitation

Background

Currently NSW has over 9,000 people in prison and this figure is growing. Prisons

help us feel safe by removing offenders from our streets. They also provide an opportunity for offenders to rehabilitate themselves. This can have major benefits for the community in reducing crime and its associated costs.

In this audit we wanted to find out whether the Department of Corrective Services:

- ◀ knows if it successfully rehabilitates prisoners
- ◀ matches prisoners to programs that best meet their needs
- ◀ has an effective reintegration strategy in place.

Audit Opinion

We found that the department has significantly changed its approach to rehabilitating prisoners in recent years, with a shift toward targeted programs to address offending behaviour. We believe the department is on the right path and should continue building on current initiatives.

Despite these efforts, almost one in two prisoners returns to prison or community supervision within two years of their release. The rate of prisoners returning to prison has increased by 25 per cent during the last ten years, but has fallen slightly since 1999-2000.

While the department monitors prisoners' individual achievements, it has limited information on overall rehabilitation outcomes other than re-offending. We were unable to find out the extent to which prisoners as a group improved their health, employability, and education skills.

There is a risk the department releases prisoners who have not addressed their rehabilitation needs. The department appears to address immediate health and welfare concerns. But it does not formally assess the education and work needs of all prisoners. It is currently rolling out a risk assessment tool to measure their risk of re-offending and identify key rehabilitation needs.

Prisoners do not always access or complete rehabilitation programs. They may refuse to participate or only be in prison a few months. Access to intensive offence-based programs is of particular concern. While not all prisoners may need these programs, demand far exceeds available places. For example in 2004-05, 900 identified sex offenders were in prison but only 10 completed relevant sex offence programs.

Reintegration is a key factor in reducing re-offending and requires a multi-agency response. The department has formed partnerships with other agencies to help reintegrate prisoners. Yet staff still report significant problems accessing services for former prisoners, particularly high risk areas such as housing, work and drug use. While the department funds various community agencies and supervises offenders on parole, it does not provide community support to prisoners released after fixed sentences.

Summary of Recommendations

We have made a number of recommendations designed to improve how the department:

- ◀ monitors and measures success
- ◀ identifies prisoner needs and risks
- ◀ increases program accessibility
- ◀ works with other agencies to improve reintegration.

Further Information

Sean Crumlin, Director, Performance Audit sean.crumlin@audit.nsw.gov.au or on 02 9275 7286. The full report is available from our Internet site on www.audit.nsw.gov.au.

Auditor-General's Report to Parliament - Roads and Traffic Authority: The Cross City Tunnel Project

Background

The audit examined three aspects of the awarding of the contract and the commissioning of the Cross City Tunnel:

- ◀ was the upfront payment by CrossCity Motorway Pty Ltd (CCM) to the Roads and Traffic Authority (RTA) a legitimate reimbursement of necessary expenditure?
- ◀ were the variations to contract in the amending deed of December 2004 appropriate?
- ◀ were the changes to surface roads based on a robust assessment against stated objectives?

Audit Opinion

In our opinion the Government's 'no net cost to government' requirement was a legitimate (but not the only possible) basis for the tunnel bid process. The Government was entitled to decide that tunnel users meet the tunnel costs. Structuring the bid process on the basis of an upfront reimbursement of costs incurred (or to be incurred) by the RTA was therefore appropriate.

Whether these costs should have included 'public domain' costs not relating directly to the tunnel (and hence passing those costs on to tunnel users) was a decision the Government was entitled to make. A core and common role of government is to redistribute income between different groups in the community.

In our opinion, however, the Government, Treasury and the RTA did not sufficiently consider the implications of an upfront payment involving more than simple project cost reimbursement (i.e. a 'Business Consideration Fee'). While the RTA may have

genuinely believed it was in the public interest to 'capture' some of the proponent's 'surplus' through the Business Consideration Fee, no real thought was given to:

- ◀ foregoing the fee to reduce the toll charges on tunnel users, or
- ◀ how this amount was to be used (e.g. retained by the RTA for use on other roadworks or used by Treasury for allocation to other areas of government).

In one sense this issue ultimately became academic. The RTA's project-related costs will eventually absorb all of the upfront payment, once all claims are settled. No Business Consideration Fee will remain. However, the principle of requiring a Business Consideration Fee remains an issue to be resolved. Such a fee would need strong justification where:

- ◀ the cost of it is met, in effect, by people not party to the contract (in this case the tunnel users), or
- ◀ it achieves a current benefit to be paid for by future tunnel users (i.e. it distorts inter-generational equity).

In our opinion the RTA was wrong to change the toll escalation factor late in 2002 to compensate the tunnel operator, CCM, for additional costs. This action distorts inter-generational equity between tunnel users. If it was appropriate for tunnel users to fund these costs, this should have been done by changing the base tolls. Escalation factors should do no more than reflect underlying cost movements or inflation.

In our opinion the variations in the amending deed were reasonable. The net present value of the 15 cents toll increase accurately reflected the \$35 million incurred by CCM in doing the extra work required after the signing of the original contract. But it made an already expensive toll even more expensive. By 2018, the toll will be about 35 per cent higher than it would have been due to this increase and the change to the escalation formula.

The handling of the amending deed also lacked transparency:

- ◀ it was not made public until late 2005
- ◀ no clear breakdown of the costs has been made available publicly, even to date
- ◀ it was done without full probity assurance.

A widely held view is that the road changes were not necessary, but were introduced to force motorists into the tunnel to profit the tunnel operator. When the project was put to tender, only limited road changes were specified. All bids were made on this basis.

In our opinion the RTA and the Department of Planning (DoP) communications and community consultation over road changes were sound at the detailed level but not effective in conveying the overall impact of the package of changes. We cannot say that the road changes were robustly assessed.

Consultation with stakeholders about the road changes failed to clarify the cumulative impact of the changes, especially in eastern Sydney. It was not inclusive enough to capture the significant resentment the changes caused. Any loss of patronage from this resentment will further hinder the tunnel's main objective of reducing traffic in the City.

In our opinion the concept behind the road changes was to implement long-standing Government planning objectives to reduce congestion in and around Central Sydney, and to improve public transport routes and urban amenity. The initial strategy was to make car travel on surface roads 'unattractive' and could therefore be described as 'funnelling' traffic into the tunnel. But the motivation was primarily to clear up the congestion on surface roads rather than to make the tunnel profitable. The financial viability of the tunnel, and the RTA's interpretation of 'no net cost to government', did however influence some important planning decisions.

Maintaining direct toll-free alternative routes was a key principle in the DoP Director-General's requirements, but was lost as the project developed.

Key Findings - the upfront payment

CCM offered the RTA \$100.1 million as an upfront payment for the Cross City Tunnel. This comprised a Development Fee of \$54 million for the RTA's initial estimate of its project development costs, and a Business Consideration Fee (BCF) of \$46.1 million. The actual payment fell to just under \$97 million on contract signing, due mainly to interest rate changes. There were no government directions on the use of the BCF. The upfront payment was legitimate and was an explicit part of the bidding process. It made it easier to compare bids, but risked pushing the tolls up.

By April 2005, the RTA had not spent or committed \$9.0 million of the upfront payment, which will be needed to finalise outstanding project costs. The RTA did not use its own capital budget. It passed all subsequent project cost increases to motorists through higher tolls. It did so by negotiating two deals with CCM. The first deal, covering \$75 million, changed the way the toll escalates. This was incorporated in the original contract. The second deal, covering \$35 million, increased the toll 15 cents. This was incorporated in the First Amendment Deed, signed in December 2004.

Key Findings - the variations to contract in the amending deed

After the contract was signed, the RTA accepted responsibility for costs totalling \$38.1 million. It funded \$3.1 million from the upfront payment, and CCM carried out the rest of the works, valued at \$35 million. The RTA compensated CCM with a 15 cents increase to the base toll of \$2.50 (1999 prices).

The RTA did not apply the 15 cents increase equitably to all parts of the tunnel. Also, the 15 cents and the change to the toll escalation formula mean the toll would be 35 per cent higher than originally planned by 2018. The escalation formula change had the biggest effect on the toll increase.

The RTA had proper approval and procedures for the amending deed, but did not handle it transparently.

Key Findings - the road changes

The RTA developed 73 road changes in response to planning requirements. By May 2006, 63 had been completed, six reversed and four were still pending. The contract specifies 22 of the 73 road changes as potential Materially Adverse Events (MAEs) that may trigger compensation to CCM if reversed. The road changes were to reduce through traffic in and around the City and to improve the public domain, not to be a tunnel funnel.

Decisions to implement immediate road changes on tunnel opening relied on estimates of over 80,000 vehicles a day using the tunnel. Actual usage has been a third of that. There was no mechanism to judge the cumulative effects of road changes as these were added. Also consultation with stakeholders did not capture the significant resentment among prospective toll payers.

Summary of Recommendations

We have made a number of recommendations designed to improve how agencies design bidding processes, define and fund project costs, use patronage projections, set tolls, consult with stakeholders, and deal with contract variations for major infrastructure projects.

Further Information

Sean Crumlin, Director, Performance Audit sean.crumlin@audit.nsw.gov.au or on 02 9275 7286. The full report is available from our Internet site on www.audit.nsw.gov.au.

Auditor-General's Report to Parliament - Financial Reports Volume Two 2006

Significant items within the report included:

Universities Overview

The exposure that universities have in offshore activities is demonstrated by the financial losses incurred by some university entities operating in this market. There is also potential for loss of reputation. The trend of increasing international student numbers appears to be changing and numbers are starting to fall.

University of Sydney

A considerable portion of the University's plant and equipment and computer equipment is fully depreciated. We have recommended that the University review the appropriateness of its depreciation rates.

A significant number of academics and general staff hold annual leave balances in excess of the maximum allowed by the university.

University of NSW

The University implemented improved financial management processes this year, but needs better systems to identify and control its subsidiaries.

University of Newcastle

The University incurred an operating deficit of \$7.5m in 2005. This was the sixth deficit in a row, but was significantly lower than last year's deficit. The University is addressing its financial position through cost reduction programs, rationalisation of courses and improved systems.

University of Technology, Sydney - Insearch Ltd

During 2005, Insearch incurred expenses of \$1.6m and made a provision of \$2.0m for losses on a joint venture investment in China. We qualified our audit opinion on Insearch's 2005 financial report.

The business registration authorities in Shanghai, China issued a 'Notice of Administrative Punishment' to Insearch Ltd for conducting business activities outside the scope authorised by its registration.

Further Information

Barry Underwood, Executive Officer barry.underwood@audit.nsw.gov.au or on 02 9275 7200. The full report is available from our Internet site on www.audit.nsw.gov.au.

Speeches

Holding Governments Accountable: the Right and Role of the Individual

Presented by Bob Sendt, Auditor-General, on 14 March 2006 at the Graduation Ceremony, Faculties of Arts, Business, and Health and Applied Sciences, Southern Cross University.

Public Private Partnerships

Presented by Bob Sendt, Auditor-General, on 10 April 2006 at Committee for Economic Development Lunch.

Transcripts of these speeches are available from our Internet site on www.audit.nsw.gov.au.

ACCOUNTING UPDATE

Australian Accounting Standards Board (AASB)

Meeting 3-4 May 2006

This meeting was held jointly with New Zealand's Financial Reporting Standards Board (FRSB)

Co-Operation with FRSB

The AASB signed a 'Protocol for Cooperation Between the Australian Accounting Standards Board and the Financial Reporting Standards Board'. The purpose of the Protocol includes minimising differences between Australian and New Zealand Standards, sharing staff and resources and integrating work programs.

The AASB and FRSB noted that there are differences between the terms and definitions used in each jurisdiction for not-for-profit entities. Whilst the intention of the differing terms is the same, the AASB agreed that a review of its definition should occur and that the AASB will probably issue an exposure draft in this respect.

The AASB and FRSB have both adopted IFRSs, but have made different changes to their national equivalents to IFRSs. The Boards agreed to review their own changes as they relate to for-profit entities and to consult with each other in the interests of converging the Standards in both jurisdictions.

Small and Medium Sized Entities (SME) (Differential Reporting)

The Boards discussed the differential reporting regimes in New Zealand and Australia and the IASB's SME project. The Boards agreed that they should seek to influence the direction of the IASB's project and consult with one another in this process. They also agreed they should decide how they might best use the IASB's work in helping to refine the differential reporting regimes in both jurisdictions.

Revenue from Non-Exchange Transactions

The Boards discussed some key issues in IPSASB ED 29 'Revenue from Non-Exchange Transactions (Including Taxes and Transfers)'. Each Board will consider its own draft submission on ED 29 at their June meetings.

Measurement on Initial Recognition

The Boards discussed the IASB Discussion Paper 'Measurement Bases for Financial Accounting - Measurement on Initial Recognition' specifically considering the meaning of 'fair value'. The Boards decided that any best estimate of fair value of an asset or a liability should be described as fair value, regardless of the nature of the evidence to support that estimate. Each Board will consider a draft submission on the Discussion paper at its June meeting.

Operating Segments

The Boards considered submissions on their respective exposure drafts on Operating Segments and expressed general support for the proposal to adopt the proposed management approach in respect of for-profit entities. They did not consider this approach appropriate for not-for-profit entities and would further consult with this group before deciding how to proceed in developing segment reporting requirements.

Heritage assets - IPSASB Consultative Paper

The Boards concluded that heritage assets are a subset of property, plant and equipment and should be subject to the same accounting principles, notwithstanding the practical difficulties.

Summary Financial Statements

The Boards agreed that because of jurisdictional differences, developing a common standard is a longer term objective.

Prospective Financial Information

The AASB decided to continue with a project aiming to produce an Australian standard comparable to New Zealand's FRS 42 'Prospective Financial Statements'.

Other Items

The Boards received a status report on the

- ◀ IASB/FASB project on revenue recognition
- ◀ IASB/FASB project on the Conceptual Framework and a presentation on the implications of the project for not-for-profit entities in the public sector
- ◀ IASB project on financial instruments puttable at fair value.

Source: AASB Action Alert 94 (May 2006).

Financial Reporting Council (FRC) Update

The Council met on 20 March 2006, welcoming several new appointments. At the meeting, the Council:

- ◀ discussed the AASB's proposed interpretations model to replace the Urgent Issues Group
- ◀ confirmed Australia's financial contribution to the International Accounting Standards Committee Foundation and the sitting fees paid to Council members
- ◀ noted a progress report on the work being undertaken on the sector neutral accounting standards project

- ◀ received reports from the Chairmen of the AASB, AUASB, FRC Finance Committee and FRC Audit Independence Subcommittee.

The FRC has engaged consultants to assist in the Council undertaking its auditor independence functions. Under section 225 of the *Australian Securities and Investments Commission Act 2001*, the FRC has broad monitoring and assessment functions in respect of auditor independence systems and processes.

Sources: FRC Bulletins 06-2 (March 2006), 2006/3 - 21 April 2006.

Accounting Standards & Interpretations Released

The following compiled accounting standards have been released on the AASB's Internet site:

- ◀ AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'
- ◀ AASB 114 'Segment reporting'
- ◀ AASB 117 'Leases'
- ◀ AASB 133 'Earnings per Share'
- ◀ AASB 1023 'General Insurance Contracts'
- ◀ AASB 1038 'Life Insurance Contracts'
- ◀ AAS 25 'Financial reporting by Superannuation Plans'.

These compiled standards incorporate amendments made to the original standards and are available at: www.aasb.com.au.

The AASB has approved and released UIG Interpretation 9 'Reassessment of Embedded Derivatives'. The Interpretation is available at www.aasb.com.au.

Exposure Draft Released

ED 149 'Proposed Amendments to AASB 123 'Borrowing Costs''

This ED proposes the removal of the option in AASB 123 of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The ED is open for comment until 21 August 2006 and is available at: www.aasb.com.au.

Source: AASB Media Release 31 May 2006.

AUDITING UPDATE

Force of Law Auditing Standards Released

The Australian Auditing Standards Board (AUASB) has released 35 Australian Auditing Standards (ASA) that will apply to audits of financial reports for financial reporting periods commencing on or after 1 July 2006. Also released are the 'Foreword to AUASB Pronouncements' and the 'AUASB Glossary'.

The new Auditing Standards emanate from the implementation of the Federal Government's Corporate Law Economic Reform Program (CLERP 9) initiatives, which were aimed at enhancing the credibility of audited financial reports in Australia and thereby improving investor confidence.

The ASAs conform to International Standards on Auditing so as to ensure global best practice, with additional requirements to further strengthen the Standards.

The AUASB held Executive Briefing Sessions in Sydney and Melbourne which included a broad overview of the changes from the old standards to the ASAs. Copies of presentations are available on the AUASB Internet site at: www.auasb.com.au.

Summary of New Australian Auditing Standards

ASA No.	ASA Name	AUS Equiv.	ISA Equiv.
ASA 100	Preamble to AUASB Standards	NA	NA
ASA 200	Objective and General Principles Governing an Audit of a Financial Report	AUS 202	ISA 200
ASA 210	Terms of Audit Engagements	AUS 204	ISA 210
ASA 220	Quality Control for Audits of Historical Financial Information	AUS 206	ISA 220
ASA 230	Audit Documentation	AUS 208	ISA 230
ASA 240	The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report	AUS 210	ISA 240
ASA 250	Consideration of Laws and Regulations in an Audit of a Financial Report	AUS 218	ISA 250
ASA 260	Communication of Audit Matters with Those Charged With Governance	AUS 710	ISA 260
ASA 300	Planning an Audit of a Financial Report	AUS 302	ISA 300
ASA 315	Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement	AUS 402	ISA 315
ASA 320	Materiality and Audit Adjustments	AUS 306	ISA 320
ASA 330	The Auditor's Procedures in Response to Assessed Risks	AUS 406	ISA 330
ASA 402	Audit Considerations Relating to Entities Using Service Organisations	AUS 404	ISA 402
ASA 500	Audit Evidence	AUS 502	ISA 500
ASA 501	Existence and Valuation of Inventory	AUS 506	ISA 501
ASA 505	External Confirmations	AUS 504	ISA 505
ASA 508	Enquiry Regarding Litigation and Claims	AUS 508	ISA 501
ASA 510	Initial Engagements - Opening Balances	AUS 510	ISA 510
ASA 520	Analytical Procedures	AUS 512	ISA 520
ASA 530	Audit Sampling and Other Means of Testing	AUS 514	ISA 530
ASA 540	Audit of Accounting Estimates	AUS 516	ISA 540
ASA 545	Auditing Fair Value Measurements & Disclosures	AUS 526	ISA 545
ASA 550	Related Parties	AUS 518	ISA 550
ASA 560	Subsequent Events	AUS 706	ISA 560
ASA 570	Going Concern	AUS 708	ISA 570
ASA 580	Management Representations	AUS 520	ISA 580
ASA 600	Using the Work of Another Auditor	AUS 602	ISA 600
ASA 610	Considering the Work of Internal Audit	AUS 604	ISA 610
ASA 620	Using the Work of an Expert	AUS 606	ISA 620
ASA 700	The Auditor's Report on a General Purpose Financial Report (revised)	AUS 702	ISA 700
ASA 701	Modifications to the Auditor's Report	AUS 702	ISA 701
ASA 710	Comparatives	AUS 704	ISA 710
ASA 720	Other Information in Documents Containing Audited Financial Reports	AUS 212	ISA 720
ASA 800	The Auditor's Report on Special Purpose Audit Engagements	AUS 802	ISA 800
ASRE2410	Review of an Interim Financial Report Performed by the Independent Auditor of the Entity	NA	ISRE2410

Source: AUASB Media Release 1 May 2006, AUASB website www.auasb.com.au.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

Meeting 24-26 April 2006

The IASB discussed the following issues:

- ◀ financial instruments
- ◀ revenue recognition
- ◀ business combinations
- ◀ conceptual framework
- ◀ insurance
- ◀ financial instruments puttable at fair value
- ◀ consolidation
- ◀ liabilities and equity.

Joint Meeting with the Financial Accounting Standards Board (FASB) 27-28 April 2006

The IASB met with the FASB and discussed:

- ◀ financial instruments
- ◀ revenue recognition
- ◀ business combinations
- ◀ conceptual framework
- ◀ leases.

Due Process Handbook

A handbook describing the IASB's consultative arrangements designed to help interested parties understand the IASB's operations has been published by the International Accounting Standards Committee Foundation. Further details and a copy of the Handbook are available on the IASB's Internet site: www.iasb.org.

Exposure Draft on Borrowing Costs

This Exposure Draft proposes amendments to IAS 23 'Borrowing Costs'. Comments are requested by 29 September 2006.

Sources: IASB Update April 2006, ANT 16/2006 - 5 May 2006.

International Financial Reporting Interpretations Committee (IFRIC)

Meeting 11-12 May 2006

The IFRIC discussed the following issues:

- ◀ IAS 18 'Revenue' - customer loyalty programs
- ◀ IAS 19 'Employee Benefits' the effect of a minimum funding requirement on the asset ceiling
- ◀ service concession arrangements
- ◀ IAS 39 'Financial Instruments: Recognition and Measurement' - derecognition of groups of financial assets
- ◀ D17 'IFRS 2 Group and Treasury Share Transactions'
- ◀ D18 'Interim Reporting and Impairment'
- ◀ IFRS 2 'Share-based Payment' - employee benefit trusts
- ◀ IAS 18 'Revenue' - upfront revenue recognition
- ◀ IAS 32 'Financial Instruments: Presentation' - classification of a financial instrument as liability or equity
- ◀ IFRS 3 'Business Combinations' - classification of puts and forwards held by minority interests
- ◀ IFRS 2 'Share-based Payment' - post-vesting transfer restrictions
- ◀ IFRIC agenda decisions
- ◀ tentative agenda decisions.

Source: IFRIC Update May 2006.

OTHER UPDATE

Australian Professional and Ethical Standards Board (APESB)

Exposure Draft on Revised Code of Conduct (1/06)

The APESB is proposing to replace the Joint Code of Professional Conduct with the 'Code of Ethics for Professional Accountants'. The main features of the proposed Code, as outlined in its Preface, are:

- ◀ the structure of the Code and the numbering of paragraphs have been revised to conform with the IFAC Code
- ◀ for the most part, the wording of the IFAC Code has been adopted

◀ certain paragraphs that have no equivalent in the IFAC Code have been identified as Australian paragraphs by inserting the letters AUST before the paragraph number.

The proposed Code will be operative from 1 July 2006. The Exposure Draft is open for comment until 19 June 2006 and a copy is available on the APESB's Internet site: www.apesb.org.au.

Exposure Draft - Conformity with Auditing and Assurance Standards (3/06)

The APESB is proposing to revise Miscellaneous Professional Statement APS 1.1 with an Exposure Draft titled 'Conformity with Auditing and Assurance Standards'. The main difference between this proposed Statement and APS 1.1 issued by the ICAA and CPA Australia is that in this proposed Statement, members will be required to comply with the new AUASB Standards that take effect from 1 July 2006.

The proposed Standard will be operative from 1 July 2006. The Exposure Draft is open for comment until 26 June 2006 and a copy is available on the APESB's Internet site: www.apesb.org.au.

MISCELLANEOUS PUBLICATIONS

Australian Capital Territory Auditor-General's Office

Performance Audit Report:

◀ Public Housing

This report is available at www.audit.act.gov.au.

Australian National Audit Office

Performance Audit Reports:

- ◀ Management of the Tiger Armed Reconnaissance Helicopter Project Air 87
- ◀ The Management of Infrastructure Plant and Equipment Assets
- ◀ The Australian Research Council's Management of Research Grants
- ◀ Artbank, Department of Communications, Information Technology and the Arts
- ◀ Procurement of Explosive Ordnance for the Australian Defence Force (Army)
- ◀ Administration of Primary Health Care Funding Agreements
- ◀ Administration of the 30 Per Cent Private Health Insurance Rebate Follow-up Audit.

Speeches:

- ◀ Public Sector Auditing Practices, Perspectives, Challenges and Capacity Development

These reports and the speech are available at www.anao.gov.au.

Queensland Audit Office

Other Publication:

- ◀ Report to Parliament No 1 for 2006: Results of Local Government Audits for 2004-05

This report is available at www.qao.qld.gov.au.

Tasmanian Audit Office

Performance Audit Report:

- ◀ Building Security and Contracts Appointing Global Value Management

This report is available at www.audit.tas.gov.au.

Victorian Public Accounts and Estimates Committee:

Performance Audit Report:

- ◀ Planning for a capable Victoria Police workforce

This report is available at www.audit.vic.gov.au.

Office of the Auditor General for Western Australia

Other Reports:

- ◀ Public Sector Performance Report 2006
- ◀ Behind the Evidence: Forensic Services

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

Independent Commission Against Corruption

- ◀ Report on investigation into the alleged leaking of a draft Cabinet minute
- ◀ Direct negotiations - guidelines for managing risks in direct negotiations
- ◀ Corruption Matters - issue 27

These reports are available at www.icac.nsw.gov.au.

Institute of Chartered Accountants AEIFRS Resources

The ICAA has released two references on financial instruments. The first is an analysis of the different categories of financial instruments, and the second contains explanations of key issues relating to hedges.

That is also a simple overview of the key definitions of cash, cash equivalents and cash flows used within AASB 107 'Cash Flow Statements' and a table that relates the new AIFRS standards with their pre-2005 Australian GAAP standards and international standards.

These publications are available on the ICAA's Internet site: www.icaa.com.au.

Sources: ANT 17/2006 - 12 May 2006, ANT 18/2006 - 19 May 2006, ANT 19/2006 - 26 May 2006.

LEGISLATIVE CHANGES UPDATE

Public Finance and Audit Act 1983

This proclamation amends Schedule 3 of the *Public Finance and Audit Act 1983* by removing the following entities:

- ◀ Ministry for the Arts
- ◀ Department of Gaming and Racing
- ◀ Heritage Office
- ◀ Parliamentary Counsel's Office
- ◀ Ministry for Science and Medical Research
- ◀ Department of Tourism, Sport and Recreation

and adding the Department of the Arts, Sport and Recreation

(GG No 55, 21 April 2006, page 2335).

Transport Administration (General) Amendment (RailCorp) Regulation 2006

The object of this Regulation is to prescribe officers of RailCorp as authorised persons for the purposes of section 40 of the *Transport Administration Act 1998* so that the Director-General of the Ministry of Transport may delegate any of the Director-General's functions of that Act to such persons. The Regulation also makes it clear that the Director-General's functions may be delegated to the chief executive officer of RailCorp and Sydney Ferries.

This Regulation is made under the *Transport Administration Act 1998*, including sections 40 and 119 (the general regulation making power).

(GG No 66, 19 May 2006 2006, page 3094).

PREMIER'S DEPARTMENT UPDATE

Premier's Department Circulars

Number		Issued
2006-13	Review of Cabinet Document Exemption Claims under the Freedom of Information Act	April 2006
2006-14	Trade Union Delegate Meetings in the week commencing 15 May 2006	May 2006
2006-15	Nominations for the Public Service Medal (updates C2006-04)	May 2006

C2006-13 Review of Cabinet Document Exemption Claims under the Freedom of Information Act

The Guidelines attached to this Circular are aimed at encouraging consistent and accountable decision making practices across government in relation to Cabinet documents. It is important for the integrity of government decision-making that any claim that a Cabinet exemption applies can be supported by clear evidence, and can be clearly justified if required to an external review body

C2006-14 Trade Union Delegate Meetings in the week commencing 15 May 2006

This Circular advises that union delegates are able to take special leave to attend trade union meetings which fall within the definitions provided in the *Crown Employees (Public Service Conditions of Employment) Reviewed Award 2006*.

C2006-15 Nominations for the Public service Medal

Nominations close 28 July 2006.

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

Premier's Memoranda

Number		Issued
M2006-06	Government Policy Announcements	May 2006

M2006-06 Government Policy Announcements

This Memorandum reminds Ministers that announcements or comments about new policy initiatives are not to be made without prior Cabinet approval.

Memoranda are available at www.premiers.nsw.gov.au.

TREASURY UPDATE

Treasury Circulars

Number		Issued
TC 06/05	New Employment Arrangements Further Advice on Implementation Issues	May 2006
TC 06/06	2005-06 Financial Reporting Requirements for the Consolidated Financial Reports of the State	May 2006
TC 06/07	Consequences of New Employment Arrangements For Fringe Benefits Tax Returns	May 2006
TC 06/08	2005-06 Financial Accounting Arrangements For the Crown Entity	May 2006
TC 06/09	AASB 119 'Employee Benefits' Other than Superannuation	May 2006
TC 06/10	Accounting for Superannuation	May 2006

TC 06/05 New Employment Arrangements Further Advice on Implementation Issues

This Circular contains further advice on the consequences of the proclamation of the *Public Sector Employment Legislation Amendment Act 2006* (PSELAA), including deadlines for certain actions regarding GST, payroll tax and PAYG withholding that agencies must meet.

TC 06/06 2005-06 Financial Reporting Requirements for the Consolidated Financial Reports of the State

This Circular sets out the accounting, reporting and auditing arrangements in respect of the 2005-06 financial year.

TC 06/07 New Employment Arrangements Further Advice on Implementation Issues

This Circular confirms that statutory corporations affected by the *Public Sector Employment Legislation Amendment Act 2006* will only need to prepare one Fringe Benefits Tax return for the 2005/06 FBT year. It provides advice on how fringe benefits tax will be dealt with for the 2006/07 and future FBT years.

TC 06/08 2005-06 Financial Accounting Arrangements for the Crown Entity

In order to compile the consolidated 2005-06 financial report, agencies are required to provide information on these activities in line with the financial year end timetable.

TC 06/09 AASB 119 'Employee Benefits' Other than Superannuation

This Circular outlines the accounting treatment for long service leave and annual leave for NSW public sector agencies in accordance with Australian equivalents to International Financial Reporting Standards. The Circular applies to all NSW public sector entities (including State Owned Corporations) for financial years beginning on or after 1 January 2005.

TC 06/10 New Accounting for Superannuation

This Circular outlines the accounting treatment for superannuation for NSW public sector agencies in accordance with Australian equivalents to International Financial Reporting Standards. The Circular applies to all NSW public sector entities (including State Owned Corporations) for financial years beginning on or after 1 January 2005.

These Circulars are available at www.treasury.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/guides-bp/bpglist.htm

Title of Guide	Issued
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 the 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	March 1994
Volume 2: Strategy	March 1994
Volume 3: Diagnostics	March 1994
Volume 4: Fraud Control Self Audit Kit	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
ASIC	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
ED	Exposure Draft
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GGs	General Government Sector
GPFR	General Purpose Financial Report
IAASB	International Auditing and Assurance Standards Board
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
IPART	Independent Pricing and Regulatory Tribunal
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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