

AWARENESS

Accounting and Auditing Developments ISSUE 4 - MAY/JUNE 2007

AUDIT OFFICE UPDATE

Auditor-General's Report to Parliament - Vol 2 Significant findings

Macquarie University

Internal audit's preliminary assessment of certain financial management issues within Macquarie International indicated some abnormalities with certain expenditures.

A signed contract of employment for the former Vice Chancellor was not available.

The records maintained for artworks require significant improvement. During a recent independent revaluation of artworks it was established that ownership could not be proven for a significant portion of the total value of the collection.

The University of Sydney

The valuation of the University's cultural assets needs to be brought up to date.

'Excess' annual leave balances held by academics and general staff continue to grow.

The University is still to complete its Business Continuity Plan.

University of New South Wales

At the time this Report to Parliament was published, the University was reviewing the scope and operation, financing and other arrangements its UNSW Asia campus in Singapore. Since then the University has closed the campus.

The University is still awaiting a report from an independent investigator into disciplinary action relating to the Co-Operative Research Centre for Eye Research and Technology (CRCERT), which has been wound up.

University of Newcastle

The University's financial position continued to improve during 2006 with an operating surplus of \$33.5 million being achieved. The surplus reversed the trend of deficits over the previous six years. The University expects positive results to continue and has budgeted for an operating surplus of \$15.3 million for 2007.

Further information

The full report is available from our Internet site: www.audit.nsw.gov.au.

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Auditor-General's Report to Parliament - Responding to Homelessness

Background

On census night in 2001 there were 26,676 homeless people in NSW - more than four out of every 1,000 people. The causes of homelessness are many and varied. They include lack of affordable housing, family conflict, and poor mental health. Many long term homeless have lost their basic living skills and are among the most disadvantaged in our community.

In this audit we wanted to find out whether:

- the government's outcomes for homeless people have been achieved
- homeless people are assisted in accessing government support services such as health care and legal assistance.

Key findings

In recent years the government has put a wide range of strategies in place to respond to homelessness, including programs delivered by individual agencies and cross-agency projects. Many projects have shown good results or led to improvements.

Despite these efforts, we were unable to determine how well the government is responding to homelessness statewide. This is because there is no statewide strategy, performance measures or targets on homelessness. With the exception of the Department of Housing and Department of Community Services, no other agency has a clear and explicit focus on homelessness.

Government and community agencies are working together to improve access to health care and legal assistance but with mixed results. Access improves where agencies are able to reach out to the homeless. We found many examples of government agencies delivering services where homeless people live or visit, such as hostels.

However significant barriers still exist. They include limited service capacity, waiting lists, expectation gaps, intimidating physical environments, and reliance on paper based systems. Some of these problems, such as waiting lists, affect us all. However their impact on homeless people is greater.

Summary of recommendations

Our two key recommendations are:

- that the government develop a statewide framework on homelessness which clearly sets out the results it wants to achieve
- that government agencies look for new ways to reach out and deliver services to homeless people.

Further information

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Auditor-General's Report to Parliament - Follow-up performance audit - Department of Education and Training: Computers in Schools

Background

The NSW Government introduced the Computers in Schools Program in 1995, allocating 70,000 computers to government schools. Our 2000 Performance Audit report examined how well schools were integrating these computers into teaching and learning.

In this follow-up audit we assessed the actions taken by the Department of Education and Training in response to the original audit. We wanted to find out whether:

- students and teachers have better access to computers than in 2000
- computer use has been integrated into teaching and learning.

Key findings

Access to computers in our schools is significantly greater than in 2000. Schools have more computers and they work faster.

The Department now maintains 100,000 computers in schools that are under warranty and less than four years old. This means that it has provided each school with one computer for every eight enrolled students. Schools also use other funds to purchase additional computers that comply with the Department's standards. The Department estimates that the overall ratio is therefore one computer to every six students.

There has been much progress in the integration of computer use into teaching and learning since 2000. This is shown by:

- students achieving a high level of competence in computer use
- more and more teachers and students accessing Information Communication Technology (ICT) resources
- the many examples of integration we saw on our school visits.

However there are still a few remaining problems like infrastructure and technical support holding some schools back. For example teachers are less likely to use computers where:

- high-speed cabling does not extend to all classrooms
- the school does not have enough rooms for computer labs
- there are not enough skilled personnel in schools to help out when problems occur.

We recommended that the Department identifies ICT needs in schools and develops strategies to systemically address the needs of any schools falling behind in the use of computers.

Further information

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Auditor-General's Report to Parliament - Follow-up performance audit - Ambulance Service of NSW: Readiness to Respond

Background

The Ambulance Service of NSW (the Service) provides a 24 hour, seven day a week service to bring initial clinical care to emergency patients and to transport them to emergency departments of hospitals. It also provides transport for non-urgent patients who cannot travel to treatment by other means.

Our 2001 performance audit examined the operations of the Service at a time when the Service was a focus of media attention. The Minister for Health advised the Auditor-General that the audit warranted immediate attention and an early report.

The audit examined the full range of the Service's organisation and operations. The audit report, tabled in March 2001, contained eight broad recommendations, with 29 specific sub-recommendations. The sub-recommendations included changes to the Service's governance structure and to most facets of the Service's organisation and operations. The Minister welcomed the report and said that it highlighted areas where urgent change was needed.

Following the tabling of the report, the Government changed the Service's governance structure to simplify accountabilities. The Service accepted the other 28 sub-recommendations and established a program to implement them.

In this follow up audit we assessed:

- progress in implementing the recommendations of the 2001 audit report
- changes in performance that have occurred as a result of implementing the recommendations.

Audit opinion

The Service has substantially implemented the 28 recommendations of the 2001 audit report that it accepted. It has also introduced significant new initiatives to improve performance that were not part of the 2001 recommendations. It has made substantial changes to its organisation and operations to implement these changes. Many of the changes are still proceeding.

The Service has addressed a key finding of the 2001 audit report - that it did not have adequate, relevant or credible management data for decision making. The Service now has five years of operational data from the Computer Aided Dispatch (CAD) system.

The improved quality of operational data has enabled the Service to improve its day to day management and to implement the changes to its operations recommended in the 2001 audit report.

We commend the Service for the extensive changes it has made to implement the recommendations of the 2001 audit report, for its new initiatives and for the improvements in range and accuracy of data and performance indicators. We expect that the changes will be reflected in the Service's performance indicators in future.

Further information

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Auditor-General's Report to Parliament - Ministry of Transport: Connecting with Public Transport

Background

The NSW Government released the State Plan - A New Direction for NSW in November 2006. A priority area is to increase the public transport system's share of peak hour journeys undertaken in Sydney.

Interchanges provide access to public transport. They include bus stops, railway stations, ferry wharves, taxi ranks, kiss and ride areas, cycle racks and park and ride areas. Many key aspects of integration come together at interchanges including information, ticketing, network accessibility, service coordination and personal security.

Our audit looks at the effectiveness of interchanges in promoting increased use of public transport in Sydney. It has included a review of interchange projects built since 1992-93. In more recent years there has been less interchange development. In this context, the audit has looked for areas for improvement that the Ministry of Transport can apply in its development of new processes.

Audit opinion

We see considerable potential for the Ministry of Transport to plan and manage interchanges more effectively, so as to make better use of our public transport network.

Interchanges can promote access to the public transport network with good waiting environments and fast transfers. But poor interchanges, with long walks, stairs, long waits, poor travelling information, and poor weather protection can substantially discourage access to public transport.

The State Government has in recent years developed a 'State Plan, a Metropolitan Strategy and an Urban Transport Statement' to encourage development in accessible locations and improve transport between Sydney's centres. During this period, the Ministry has focused particularly on arrangements to improve private bus services.

We believe that the Ministry now needs to focus more on multi-modal transport planning and interchange performance. It needs to assign responsibility for the coordination and oversight of inter-modal operations to an entity resourced for the purpose. Without this it will continue to be very difficult to identify and address unmet needs, seek and secure stakeholder funding, and monitor and evaluate system performance.

Summary of recommendations

We recommend a series of measures to:

- assign clear responsibilities
- develop a more strategic approach
- develop and promote Best Practice
- provide better information
- systematically evaluate performance
- address the need for long term funding.

Further information

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Auditor-General's Report to Parliament - NSW Police Force: Dealing with Household Burglaries

Background

Household burglary is an invasive crime that concerns many citizens.

In 2003, the NSW Police Force implemented the Fundamental Response to Crime (FRC) which outlined a set of new strategies to be used by local area commands for dealing specifically with break and enters.

In the last five years, household burglaries decreased by over 30 per cent. Recorded rates of burglary are now lower than they were 10 years ago.

Despite these changes, household burglary is still a problem in NSW. In 2005-06, there were over 80,000 incidents of break and enter. Sixty per cent or over 49,000 incidents involved residential properties. Currently, household burglary represents around 11 per cent of all recorded crimes and is the fourth most common crime affecting citizens. Citizen surveys indicate that people still perceive break and enter as a problem in their local area.

For these reasons, reducing household burglary remains a high priority for police and the Government.

In this audit, we wanted to find out how well the NSW Police Force:

- responds to reports of household burglary
- investigates household burglaries
- reduces household burglaries.

Audit opinion

The NSW Police Force has done well to maintain a downward trend in household burglaries in NSW since 2001. Police recognise the impact this crime has on the community's perception of security and safety. Success has come from a continued focus on prevention and enforcement.

However, there are other factors which have influenced this result. These include a rise in the rate and length of imprisonment, the heroin drought in 2001, increases in the number of heroin users entering treatment, low levels of unemployment, and increases in average weekly earnings of young males.

Amongst these factors, it is difficult to judge the extent of the impact police have had on this result. Nevertheless, the police's view is that the results should have been better.

Last year, break and enters dropped by around 2,500. However, each command had set a target that would have resulted in an overall decrease of around 8,000 break and enters.

Police have strategies in place to reduce household burglary through targeting locations and more recently, targeting prolific offenders. However, moving forward, we identified opportunities for police to improve their approach to both prevention and detection.

The fact remains that crime rates vary across NSW. Although 60 per cent of all household burglaries occur in Sydney, the risk of being a victim of a household burglary is greater in disadvantaged communities whether these are located in metropolitan or rural areas. There is also a greater risk of burglary for those previously burgled.

Yet the police response to household burglary is determined by local protocols and the availability of resources, not the victims' location.

Today, police rely heavily on forensic evidence to solve these crimes. Yet there is no guarantee that even where evidence is available at the scene, a forensic officer will be available to collect it, or that the response is timely. This is necessary to prevent degradation or contamination of the evidence and minimise inconvenience to the victim.

Intelligence also plays a major role in helping prevent or solve these crimes. Yet police do not record specific data on household burglaries separately from commercial break and enters, although offenders may have different modus operandi and properties exhibit different risks.

In 2005-06, over 90 per cent of break and enters remained unsolved. We recognise that solving these crimes is a difficult task. We consider prevention strategies focussed on high risk neighbourhoods and high risk offenders may have the greatest impact on crime rates in the long term.

Summary of recommendations

We recommend that the NSW Police Force in regard to household burglaries:

- collects and analyses data on these crimes separately from commercial break and enters
- improves investigation and detection capability
- better targets prevention strategies and monitors results.

Further information

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ACCOUNTING UPDATE

Public sector financial reporting developments

GAAP/GFS harmonisation

The AASB is working towards the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP). The first phase of this project relates to financial reporting by the Australian Government and the State and Territory sectors therein. Phase Two relates to financial reporting by entities within the General Government Sector (GGS), such as departments, as well as statutory bodies.

AASB 1049 'Financial Reporting of General Government Sectors by Governments' was the first part of the first phase of this project. The AASB has issued an exposure draft that represents the second part of the first phase, ED 155 'Financial Reporting by Whole of Governments'.

ED 155 'Financial Reporting by Whole of Governments'

This exposure draft presents proposals for GAAP/GFS harmonisation requirements for whole of government financial reporting. AASB 1049 was used as the basis for this exposure draft and the proposals do not have broader implications beyond whole of government financial reporting.

Some of the main requirements within the exposure draft are:

- governments must prepare a general purpose whole of government financial report that consolidates all controlled entities and that the requirements in other Australian Accounting Standards be applied to this financial report, unless otherwise specified
- any options selected within Australian Accounting Standards must align with the treatment in the ABS GFS Manual and any GFS information presented must be determined using the principles and rules in that Manual
- specific disclosures are required in the operating and cash flow statements (the exposure draft contains an illustrative example of acceptable financial statements) and in the notes
- descriptions and financial information about broad functions and sectors are required
- the original whole of government budgeted financial statements must be disclosed.

The proposals will apply to annual financial reporting periods beginning on or after 1 July 2008. A copy of the exposure draft is available from the AASB's website: www.aasb.com.au.

Review of AAS 27s, 29 and 31

As part of the transition to Australian equivalents to International Financial Reporting Standards (AIFRS), the AASB is reviewing the requirements within AAS 27 'Financial Reporting by Local Governments', AAS 29 'Financial Reporting by Government Departments' and AAS 31 'Financial Reporting by Governments'.

The AASB has identified two parts to this process; the first part involves relocating the requirements, with few changes, into topic based transaction neutral standards. The second part involves a comprehensive review of requirements for not-for-profit entities (including public sector entities). As part of the first part of the process, the AASB has issued an exposure draft, ED 156 'Proposals Arising from the Short-term Review of the Requirements in AAS 27, AAS 29 and AAS 31'.

ED 156 'Proposals Arising from the Short-term Review of the Requirements in AAS 27, AAS 29 and AAS 31'

This exposure draft proposes dealing with the existing requirements within the AASs in two ways. Where the requirements are not covered adequately in other standards or cannot be appropriately relocated into existing topic based standards, new Standards will be developed. These are:

- AASB 10XX 'Administered Items'
- AASB 10XY 'Land Under Roads - Transitional Requirements'
- AASB 10XZ 'Disaggregated Disclosures'.

Where the requirements can be appropriately relocated into existing topic based standards, the AASB proposes amending/revising the existing standards. Affected standards include:

- AASB 3 'Business Combinations'
- AASB 116 'Property, Plant and Equipment'
- AASB 127 'Consolidated and Separate Financial Statements'
- AASB 137 'Provisions, Contingent Assets and Contingent Liabilities'
- AASB 1004 'Contributions'.

The Exposure Draft provides further details on the new Standards, as well as the changes to existing Standards. The proposals will be effective for annual reporting periods beginning on or after 1 July 2008.

A copy of the exposure draft is available from the AASB's website: www.aasb.com.au. Comments are requested by 3 September 2007.

Australian accounting pronouncements released

Removal of Australian Guidance from Australian Accounting Standards (AASB 2007-4)

The intention of AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments' is to reduce differences between International Financial Reporting Standards and Australian equivalents to International Financial Reporting Standards (AIFRS). The effect of this Standard is to remove all Australian Guidance from AIFRS, with the exception of the Guidance for not-for-profit entities. AASB 2007-4 applies to annual reporting periods beginning on or after 1 July 2007, with early adoption permitted.

Several Standards have been compiled to accommodate the amendments arising from AASB 2007-4. These include:

- AASB 107 'Cash Flow Statements'
- AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance'
- AASB 127 'Consolidated and Separate Financial Statements'
- AASB 128 'Investments in Associates'
- AASB 131 'Interests in Joint Ventures'
- AASB 136 'Impairment of Assets'.

Amendments to AASB 102 'Inventories' (AASB 2007-5)

AASB 102 requires inventories held for distribution by not-for-profit entities to be measured at the lower of cost and current replacement cost. The amendments in AASB 2007-5 'Amendments to Australian Accounting Standard - Inventories Held for Distribution by Not-for-Profit Entities' require these entities to measure such inventories at cost, adjusted, when applicable, for any loss of service potential. AASB 2007-5 applies to annual reporting periods beginning on or after 1 July 2007, with early adoption permitted.

Changes to AASB 123 'Borrowing Costs'

AASB 123 'Borrowing Costs' has been revised. The revised Standard requires that all borrowing costs attributable to the acquisition, construction or production of a qualifying asset be capitalised. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. All other borrowing costs are immediately recognised as expenses. This Standard applies to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted.

Amendments to accounting standards as a result of changes to AASB 123 'Borrowing Costs' (AASB 2007-6)

AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123 makes amendments to several accounting standards as a result of the changes to AASB 123 'Borrowing Costs'. This Standard also applies to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted.

Copies of all pronouncements are available from the AASB's website: www.aasb.com.au.

Other developments in the Australian financial reporting and accounting framework

The AASB has released the following invitations to comment. Copies are available from the AASB's website: www.aasb.com.au.

ITC 12 'Request for Comment on a proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of a Proposed IFRS for Small and Medium-sized Entities'

This Invitation to Comment contains two elements that propose significant changes to the Australian financial reporting framework. Comments are requested on a proposed revised differential reporting regime for Australia and on an international exposure draft proposing a version of IFRS that would apply to small and medium-sized entities.

The proposed revised differential reporting regime would change the current requirements on who must apply accounting standards. Currently, all reporting entities must apply accounting standards. However, under the proposals, any entity that prepared a general purpose financial report would need to apply them. The proposals clarify that any financial reports lodged with the Australian Securities and Investments Commission or tabled in a Parliament are general purpose financial reports.

The International Accounting Standards Board's (IASB) exposure draft 'A Proposed IFRS for Small and Medium-sized Entities' proposes simplified recognition and measurement requirements and reduced disclosures compared to full international financial reporting standards.

Whether an entity applies full IFRS or IFRS for small and medium-sized entities is determined by reference to size tests and the nature of the entity. Details are included in the Invitation to Comment. Comments are requested by 1 September 2007.

ITC 13 'Request for Comment on IASB Discussion paper Preliminary Views on Insurance Contracts'

The International Accounting Standards Board (IASB) is currently working on a project that addresses insurance activities. The first stage of the project resulted in IFRS 4 'Insurance Contracts', a temporary standard that permits a wide variety of accounting practices for insurance contracts. As a consequence of IFRS 4, the AASB issued AASB 4 'Insurance Contracts' and updated AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts'.

This Invitation to Comment reproduces an IASB Discussion Paper prepared as part of their project that sets out preliminary views that will influence the final outcomes from the project. Comments are requested by 26 October 2007.

AASB activities

In addition to the released pronouncements, exposure drafts and invitations to comment, the AASB has been working on the following matters:

- a replacement standard for AAS 25 'Financial Reporting for Superannuation Plans'
- proposed amendments to related party disclosures (as set out in ED 153)
- proposed interpretation agenda rejection statements on the valuation of electricity derivatives, the meaning of deliver in the context of financial instruments and the applicability of Standards to non-reporting entities.

Source: AASB Action Alerts 103, 1 May 2007 and 104, 28 May 2007.

Changes to proprietary company size tests in Corporations Act 2001

Under the *Corporations Act 2001*, companies meeting two out of three size thresholds are considered 'large' proprietary companies. Generally, large proprietary companies are subject to more onerous financial reporting requirements under the *Corporations Act*.

The *Simpler Regulatory System Bill* includes reforms to increase the size thresholds for identifying large proprietary companies. The turnover threshold will increase from \$10m to \$25m, the gross assets test will increase from \$5m to 12.5m and the employee numbers test will remain the same.

The proposed changes have been approved by the Government and are awaiting Royal Assent. If this occurs prior to 30 June 2007, the new size threshold tests will apply for the 2007 financial year.

AUDITING UPDATE

Australian Auditing and Assurance Standards Board (AASB) Meetings 17 April, 15 May and 4-5 June 2007

Auditing General Government Sectors

In May, the Board approved a project plan to formulate a pronouncement addressing the audit implications of AASB 1049 'Financial Reporting of General Government sectors by Government'.

Using the work of an actuary

In May, the Board approved a project plan to revise AUS 524 'The Auditor's Use of the Work of an Actuary and the Actuary's Use of the Work of the Auditor in Connection with the Preparation and Audit of a Financial Report'. The Board plans to reissue the Standard as a Guidance Statement that will only address the auditor's use of the work of an actuary. AUS 524 applies until the new pronouncement is issued.

Changes to independent audit reports

The Board proposed changes to ASA 700 'The Auditor's Report on a General Purpose Financial Report' in a recent exposure draft. The main change proposed was to include a statement in the auditor's report on the entity's compliance with International Financial Reporting Standards (IFRS). The Board has considered constituents' comments on the exposure draft and the proposed changes are expected to proceed. The changes will be effective from when the revised ASA 700 is issued.

Re-issuance of AUS 108 'Framework for Assurance Engagements' and AUS 110 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'

In recent exposure drafts, the Board proposed new Standards to replace AUS 108 and AUS 110. The new Standards will be based upon these existing Standards, but updated to reflect the style and format of other AUASB pronouncements. The Board has considered constituents' comments on the exposure drafts. These new Standards will also be effective from the date of issue.

Revision of Guidance Statements

The Board is working towards revision of the following Guidance Statements:

- AGS 1064 'Audit Implications of Prudential Reporting Requirements for General Insurers'
- AGS 1068 'Audit Requirements for Australian Financial Services Licensees under the *Corporations Act 2001*'
- AGS 1070 'Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees'
- AGS 1050 'Audit Issues Relating to the Electronic Presentation of Financial Reports'
- AGS 1056 'Electronic Commerce - Effect on the Audit of a Financial Report'.

Review engagements

The Board is developing a Standard on review engagements titled ASRE 2400 'Financial Reports and Other Financial Information'. It will comprise two sections. One will address the review of a financial report and be based upon ASRE 2410 'Review of an Interim Financial Report Performed by the Independent Auditor of the Entity'. The other will address the review of other historical information and be based on the international standard on review engagements (ISRE 2400 'Engagements to Review Financial Statements').

Performance auditing

The Board is working towards revising AUS 806 'Performance Auditing' and AUS 808 'Planning Performance Audits'.

Source: AUASB website.

ETHICAL UPDATE

Australian Professional and Ethical Standards Board (APESB)

Exposure drafts

The APESB has issued ED 03/07 Proposed Amendment to 'Network Firms', which proposes amendments to APES 110 'Code of Ethics for professional Accountants'. Comments are requested by 31 August 2007.

The APESB has also issued ED 04/07 - Terms of Engagements. This exposure draft proposes a new ethical pronouncement, APES 305 'Terms of Engagement', which aims to ensure clarity between professional accountants and their clients as to the agreed scope of work to be conducted. Comments are requested by 14 September 2007.

Copies of both exposure drafts are available from the APESB's website: www.apesb.org.au.

Source: APESB website.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

Meeting 17-20 April 2007

The IASB discussed the following issues:

- business combinations
- IAS 37 redeliberations
- conceptual framework
- financial instruments
- financial instruments puttable at fair value and obligations arising on liquidation
- discontinued operations
- post-employment benefits
- annual improvements process
- short-term convergence: income taxes
- short-term convergence: joint ventures.

Joint meeting with the Financial Accounting Standards Board (FASB) 23-24 April 2007

The IASB and FASB discussed the following issues:

- business combinations
- leases
- conceptual framework
- liabilities and equity
- intangible assets.

Meeting 15-18 May 2007

The IASB discussed the following issues:

- post-employment benefits
- financial statement presentation
- conceptual framework
- IAS 37 redeliberations
- financial instruments puttable at fair value and obligations arising on liquidation
- update on IFRIC activities
- annual improvements process
- leases
- IFRS 2 'Share-based Payment'.

Sources: IASB Updates April & May 2007

International Auditing and Assurance Standards Board (IAASB)

Exposure drafts

The IAASB has issued three exposure drafts:

- ISA 200 (Revised and Redrafted) 'Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing'
- ISA 250 (Redrafted) 'The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements'
- ISA 500 (Redrafted) 'Considering the Relevance and Reliability of Audit Evidence'

Comments on proposed ISA 250 are requested by 31 July 2007 and on the proposed ISA 500 and ISA 200 by 15 September 2007. Copies of the exposure drafts are available from IFAC's website: www.ifac.org.

Source: IFAC media release 1 May 2007.

International Financial Reporting Interpretations Committee (IFRIC)

Meeting 3-4 May 2007

The IFRIC discussed the following issues:

- D19 IAS 19 - 'The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements'
- D20 'Customer Loyalty Programmes'
- IAS 18 'Revenue' - customer contributions
- IAS 18 'Revenue' - guidance on identifying agency arrangements
- IAS 18 'Revenue' - sales of real estate
- IAS 19 'Employee Benefits' - timetable for IAS 19 issues
- IAS 21 'The Effects of Changes in Foreign Exchange Rates' - hedging of a net investment in a foreign operation
- IAS 27 'Consolidated and separate Financial Statements' - demergers and other in-specie distributions
- IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' - disclosures
- IFRIC agenda decisions
- Tentative agenda decisions.

Source: IFRIC Update May 2007

Other international developments

The International Federation of Accountants (IFAC) Professional Accountants in Business (PAIB) Committee has developed two exposure drafts.

Preface to IFAC's International Management Accounting Statements and International Good Practice Guidance

This exposure drafts sets out the objective, scope and due process of two new types of guidance: International Management Accounting Statements and International Good Practice Guidance. These types of pronouncements establish fundamental principles and provide supporting application guidance to reflect good practice. Comments are requested by 12 September 2007.

Project Appraisal Using Discounted Cash Flow

This is an exposure draft of a proposed International Management Accounting Statement. The proposed Statement addresses the use of discounted cash flow and net present value to evaluate investments. Comments are requested by 12 September 2007.

New guidance on developing codes of conduct

In conjunction with the two exposure drafts, the PAIB Committee has released the first International Good Practice Guidance, 'Defining and Developing an Effective Code of Conduct for Organisations'. This guidance will assist professional accountants and their organisations develop and implement a code of conduct within a values based culture. The PAIB welcomes feedback on this Guidance during the exposure period for the Preface, i.e. by 12 September 2007.

Copies of the exposure drafts and the Guidance on developing codes of conduct are available from IFAC's website: www.ifac.org.

Source: IFAC Media Release 12 June 2007

MISCELLANEOUS PUBLICATIONS

Australian Capital Territory Auditor-General's Office

- Agency Implementation of Audit Recommendations

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

Australian National Audit Office

- Administration of the Job Seeker Account
- Centrelink's Customer Charter - Follow-Up Audit
- High Frequency Communication System Modernisation Project
- Preparations for the Re-tendering of DIAC's Detention and Health Services Contract
- Management of the Higher Bandwidth Incentive Scheme and Broadband Connect Stage 1
- Administration of the Health Requirement of the *Migration Act 1958*
- Administration of the Community Aged Care Packages Program
- Distribution of Funding for Community Grant Programmes
- Centrelink's review and Appeals System Follow-up Audit
- Administration of the Work for the Dole Programme
- The ATO's Administration of Debt Collection-Micro-business
- Managing Security Issues in Procurement and Contracting
- Management of Tribunal Operations - Migration Review Tribunal and Refugee Review Tribunal
- The National Black Spot Programme
- Management of the Pharmaceutical Partnerships Programme
- Coordination of Australian Government Assistance to Solomon Islands
- Superannuation Payments for Contractors Working for the Australian Government
- Non-APS Workers
- Governance: The ANAO's Contribution to making It Happen, speech presented by Ian McPhee, Auditor-General 18 May 2007, Queensland Regional Heads Forum

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

Queensland Audit Office

- Auditor-General of Queensland Report No 1: Results of Local Government Audits for 2005-06
- Auditor-General of Queensland Report No 2: Results of performance management systems audit of management of funding to non-government organisations

The reports are available at www.qao.qld.gov.au.

Tasmanian Audit Office

- Report of the Auditor-General No 1 - Local Government Authorities and Other Public Bodies
- Management of an Award Breach and Selected Allowances and Nurses' Overtime
- Follow-up Audits - June 2007
- Corporate Credit Cards
- Risdon prison - Business Case

The reports are available at www.audit.tas.gov.au.

Victorian Auditor-General's Office

- Giving Victorian children the best start in life
- State Investment in Major Events
- Maintaining Victoria's Rail Infrastructure Assets
- Follow-up of Selected Performance Audits Tabled in 2003 and 2004
- Administration of Non-judicial Functions of the Magistrates' Court of Victoria
- Promoting Better Health Through Healthy Eating and Physical Activity
- Contracting and Tendering Practices in Selected Agencies
- Managing Risk in the Public Sectors: Toward Good Practice
- Results of Financial Statement Audits for Agencies with other than 30 June 2006 Balance Dates
- Results of Audits: Purchase of contaminated land by the Melbourne port Corporation; Raising and collection of fees and charges by departments
- Public Hospital Financial Performance and Sustainability

The reports are available at www.audit.vic.gov.au.

Office of the Auditor-General for Western Australia

- Shared Services Reform: A Work in Progress
- A Helping Hand: Homes-based Services in Western Australia

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

Independent Commission Against Corruption

- Corruption Matters Issue No 29
- Report on an investigation into corrupt conduct associated with RailCorp

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

Group of 100 (G100)

The Group of 100 and Ernst & Young have produced a practical guide for CEOs and CFOs making financial statement certifications. The guide, 'Financial Reporting Certification', is available from the G100 website: www.group100.com.au.

LEGISLATIVE UPDATE

Public Sector Employment and Management (General) Amendment (DNR Corporate Services) Order 2007

This Order amends the Public Sector Employment and Management (General) Order 2007. It addresses the abolition of the Department of Natural Resources and transfer of branches to the Department of Environment and Climate Change.

(GG No 56, 20 April 2007 page 2433)

Public Sector Employment and Management (General) Further Amendment Order 2007

This Order amends the Public Sector Employment and Management (General) Order 2007. It also addresses the abolition of the Department of Natural Resources and transfer of branches to the Department of Environment and Conservation. In addition, it addresses the abolition of the Department of Energy, Utilities and Sustainability.

(GG No 56, 26 April 2007 page 2439)

Public Sector Employment and Management (General) Amendment (NSWbusinesslink and Fisheries) Order 2007

This Order amends the Public Sector Employment and Management (General) Order 2007. It also addresses the transfer of branches to the Department of Environment and Conservation. In addition, it addresses establishment of NSWbusinesslink as a separate office within Department of Commerce.

(GG No 65, 9 May 2007 page 2673)

Proclamation under the Public Finance and Audit Act 1983 Order 2007

The following entities have been removed from Schedule 3 (Departments) to the *Public Finance and Audit Act 1983*:

- Cabinet Office
- Department of Energy, Utilities and Sustainability
- Department of Environment and Conservation
- Department of Natural Resources
- NSWbusinesslink
- Premier's Department.

The following entities have been inserted in the Schedule:

- Department of Environment and Climate Change
- Department of Premier and Cabinet
- Department of water and Energy.

(GG No 68, 18 May 2007 page 2742)

Public Sector Employment and management (Transport and Population Data Centre) Order 2007

The group of staff in the Department of Planning who are employed in connection with the Transport and Population Data Centre (with some exceptions) are removed from that Department and added to the Ministry of Transport.

(GG No 68, 18 May 2007 page 2774)

PREMIER'S DEPARTMENT UPDATE

Premier's Department Circulars

C2007-11 Salary Packaging for Non-SES Employees

This Circular outlines details of a new contract with a panel of providers for the provision of salary packaging administration. All NSW Government agencies, except State Owned Corporations, must use this contract if they outsource any of their salary packaging administration. The Circular supersedes C2002-61 and C2003-26.

C2007-12 Revised Shared Corporate Service Strategy

This Circular introduces the revised corporate services strategy, 'The Future of Shared Corporate Services: Supporting the Machinery of Government'. The revised strategy aims to gradually increase the use of existing shared service providers and further reduce the number of supporting business systems. The Circular supersedes C2002-01.

C2007-13 Amendments to the Standing Orders for the Legislative Assembly affecting the passage of legislation

This Circular advises of amendments to procedures for the passage of legislation in the Legislative Assembly. Terminology relating to the passage of legislation has changed significantly.

C2007-14 National Aboriginal & Islander Day Observance Committee

Agencies are encouraged to support and release Aboriginal and Torres Strait Islander staff to participate in NAIDOC Week events. This Circular supersedes C2006-17.

C2007-15 Crown Employees (Research Scientists) Award 2007

The NSW Industrial Relations Commission made the *Crown Employees (Research Scientists) 2007 Award* in May. This Award supersedes the previous 2004 Award.

C2007-16 Nominations for the Public Service Medal

Nominations are sought for the Public Service Medal.

C2007-17 Reserve Forces Parades

Eligible public sector staff can apply for a change in their roster, or for leave, in order to participate in the parades.

C2007-18 Childcare Arrangements

The Government has signed a Memorandum of Understanding with one of its providers of salary packaging administration. The aim is to reduce the cost of childcare and improve access to childcare places for public sector employees. Contract negotiations are in their early stages.

C2007-19 Salary Sacrifice of Compulsory Employee Contributions in the State Superannuation Scheme

Agencies are encouraged to set up administrative arrangements for staff to salary sacrifice all or part of the compulsory member contributions to the State Superannuation Scheme. Legislative changes to allow such salary sacrifice are expected to occur.

C2007-20 Premier's Public Sector Awards 2007

Nominations are sought for the Premier's Public Sector Awards.

C2007-21 Main Findings from the Review of Recruitment Practices in the NSW Public Sector

The Government has recommended a range of legislative, policy and practice reforms that affect recruitment practices in the NSW public sector. Specific recommendations include:

- removing the requirement for set periods for jobs to remain open
- making it easier to convert temporary staff to permanent staff
- making use of applicant pools
- providing templates for generic position descriptions
- simplifying selection criteria.

The Public Employment Office will hold information sessions in coming months.

C2007-22 Assessment of Overseas Qualifications

The NSW Department of Education and Training has ceased operation of the Overseas Skills Advisory service. Agencies should direct queries about overseas qualifications to the National Office of Overseas Skills Recognition.

C2007-23 Recovery Response to Storm Damage Hunter & Central Coast Regions

'One stop shops' have been established to provide a single contact point for people and business to access State and Federal government agency support, service providers such as insurers, telephone and electricity authorities and relevant non-government agencies. Agencies should prioritise requests for assistance with establishing 'one stop shops'.

C2007-24 Leave for Staff affected by Storms and Flooding - June 2007

This Circular contains a range of measures to accommodate the leave requirements of staff affected by the storms and flooding. Special leave on full pay is available to staff volunteering with the State Emergency Service.

C2007-25 Coordination of disaster recovery work in the Hunter & Central regions

Agencies involved in recovery work or initiatives must liaise with Regional Coordinators.

C2007-26 Internal Government Red Tape Review Update

The Internal Government Red Tape Review is examining red tape created by NSW Government agencies that affects other agencies. The Circular sets out recommendations from Stage One of the Review, which were endorsed by the Budget Committee of Cabinet. Stage Two is under way.

C2007-27 Privacy guidelines on disclosure of information during industrial consultations

This Circular revises the 'Guidelines on Disclosure of Information During Industrial Consultations'. Agencies under the *Public Sector Employment and Management Act 2002* are required to adopt the Guidelines. Other public sector agencies and State Owned Corporations are encouraged to adopt them. This Circular supersedes C2003-50.

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

Premier's Department Memoranda

M2007-04 Security of Electronic Information

With the growing importance of electronic information assets, this Memorandum outlines the Government's electronic information security objectives. The Memorandum also includes guidance to all agencies that process, hold or use electronic information. The Memorandum supersedes C2001-46, M2001-14, C2003-02, C2004-06.

M2007-05 Christmas Leave Arrangements

Based on the success of the leave arrangements in place over Christmas 2006, the same leave arrangements will apply in 2007. Agencies are asked to maximise leave taken by public sector employees in the last week of December and the first week of January.

The memorandum is available at: www.premiers.nsw.gov.au

TREASURY UPDATE

Treasury Policy

TPP 07-1 Valuation of Physical Non-Current Assets at Fair Value

This Policy replaces TPP 05-3 of the same name. The purpose of the Policy is to provide practical guidance for valuing physical non-current assets for general purpose financial reporting.

Treasury Circulars

TC 07/01 - GST Treatment of Departmental Staff Seconded to Other Agencies

This Circular provides advice on the GST treatment of payments for staff seconded from one government agency to another, including payments for 'personnel services' provided by the employment divisions created in 2006.

TC 07/02 - 2006-07 Financial Reporting Requirements for the Consolidated Financial Reports of the State

This Circular sets out the accounting, reporting and auditing arrangements for the 2006-07 financial year.

TC 07/03 - Agency Compliance with Goods and Services Tax (GST) and Fringe Benefits Tax (FBT)

This Circular sets agencies' responsibilities for complying with GST and FBT.

TC 07/04 - Accounting for Long Service Leave and Annual Leave

This Circular outlines the accounting treatment for long service leave, related on-costs and annual leave for NSW public sector agencies.

TC 07/05 - 2006-07 Financial Accounting Arrangements for the Crown Entity

This Circular details the requirements and the year-end timetable that departments and statutory bodies must follow to enable the Consolidated Crown Entity to meet its statutory reporting obligations.

Treasury Policy and 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.

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 (IASC) publications may be obtained direct from the IASC, 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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