

AWARENESS

Accounting and Auditing Developments ISSUE 05 - JULY 2006

AUDIT OFFICE UPDATE

AWARENESS Goes Electronic

Commencing with this issue, AWARENESS will only be available via our internet site at www.audit.nsw.gov.au/publications/awareness/awareness.htm.

Auditor General's Report to Parliament - Regulating the Clearing of Native Vegetation - Follow-up of 2002 Performance Audit

Background

Our 2002 audit found that the extent of illegal land clearing was increasing and that the regulatory system was ineffective.

The objective of this audit was to determine whether clearing of native vegetation is now being managed in accord with the Government's policy objectives and whether there has been progress in achieving those objectives.

Audit opinion

There has been progress towards achieving the Government's objectives. A new regulatory system has been established that is capable of ending illegal clearing of native vegetation.

The new system is not yet fully operational and it is too early to assess its performance.

The regulatory system established under the *Native Vegetation Conservation Act 1997 (NVC Act 1997)* continued to operate until December 2005 and continued to be ineffective. Illegal clearing continued. The Department of Natural Resources (DNR) estimates that 30,000 hectares of native vegetation was cleared illegally in 2005. This was 40 percent of total clearing.

All contested prosecutions under the previous NVC Act 1997 were unsuccessful. The main problem was the evidence requirements of the NVC Act 1997. There were also problems with detecting and measuring illegal clearing. DNR has only measured illegal clearing accurately for 2005, ten years after regulation was introduced.

The grounds for prosecution have been changed in the new 2003 Acts and Regulations, effective December 2005. The other issues we raised in our 2002 audit - including clarifying accountabilities, setting targets for native

CONTENTS

AUDIT OFFICE UPDATE	1
ACCOUNTING UPDATE	6
AUDITING UPDATE	9
INTERNATIONAL UPDATE	10
OTHER ITEMS	11
MISCELLANEOUS PUBLICATIONS	13
LEGISLATIVE CHANGES	15
PREMIER'S DEPARTMENT UPDATE	17
TREASURY UPDATE	20
AUDIT OFFICE BETTER PRACTICE GUIDES	24
ACRONYMS & ABBREVIATIONS	25



THE AUDIT OFFICE
OF NEW SOUTH WALES

vegetation and monitoring illegal clearing to provide evidence for prosecutions - have also been addressed.

DNR is now in a position to achieve the Government's main objective of reducing illegal clearing, especially in the west of the State. It now must establish a record of enforcement actions that are numerous, visible and successful.

Further information

Sean Crumlin Director Performance Audit sean.crumlin@audit.nsw.gov.au or phone 02 9275 7286. The full report is available from our Internet site: <http://www.audit.nsw.gov.au>.

Auditor-General's Report to Parliament - Performance Information: Agency Use of Performance Information to Manage Services

Background

Over recent decades, governments throughout the world have been attempting to improve the efficiency and effectiveness of public services and to renew public confidence in the ability of government to achieve social outcomes. These attempts have been driven both by financial pressures ('doing more with less') and by the demand for greater accountability.

Many of the public sector reforms that governments have introduced have focussed on maximising results through the better use of performance information. Sound information is essential in determining the extent of community need, how those needs can be most effectively met and how the taxpayer's dollar can be most efficiently used. The monitoring and regular review of existing services also requires sound information.

In this audit, we examined ten different programs across a range of government agencies. We wanted to see the extent to which agencies used performance-based information in assessing their services. We hoped to find examples of good practice that others could learn from.

Audit opinion

Overall the results were mixed. There is some good news but this is such a basic and vital issue that we must conclude that a good deal more needs to be done. Three agencies did not have sufficient information to provide a balanced view of services. And two of these agencies could not tell us whether their services actually made a difference to customers.

Across the ten programs we found many examples of good practice, but some variation in the quality and coverage of performance measures. Agencies that we identified as not having sufficient information to judge services were either unaware of its importance, collected data on activities but not results or reported system limitations.

Inadequate performance information presents a risk to effective management and overall accountability. And to date, despite central agency guidance and feedback

to agencies, there is still considerable variation in the quality of performance information.

Agencies also need to set clear and concrete performance expectations or targets in order to track progress and use benchmarks to demonstrate achievements and best practice. Nine programs had established targets against which performance was compared, but agencies were particularly reluctant to publish the results.

Agencies also shied away from using performance information on similar programs in other states to compare results in NSW and to identify where services could be improved or savings made.

Recent reforms to the budget process that link agency funding to the delivery of services are an effective way of getting agencies to focus on the need for good performance measures and may lead to further improvements in the quality of performance information used by an agency to manage results.

Summary of recommendations

We have made a number of recommendations to NSW Treasury to improve the quality of performance information, including:

- ◀ providing additional guidance and feedback to agencies on the quality and coverage of performance measures
- ◀ requiring agencies to publish Results and Services Plans, performance measures and performance expectations and to report results in annual reports.

We also recommended that NSW Treasury consolidate information on government priorities for Results and Services Plans and report publicly on whole-of-government outcomes.

Further information

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

Auditor-General's Report to Parliament - Follow-up of 2002 Performance Audit: Managing Sick Leave in NSW Police and the Department of Corrective Services

Background

The NSW public sector employs over 360,000 people in more than 100 agencies at an annual cost of around \$20 billion. A recent government report estimated that a reduction in average sick leave of one day across the public sector would save around \$45 million in direct replacement costs for front-line workers.

In the public sector, reduced sick leave can lead to better services to the public and better value for the taxpayers' dollar. That was the focus of our 2002 audit which

looked at sick leave in NSW Police and the Department of Corrective Services.

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 2002 report, and whether sick leave in NSW Police and the Department of Corrective Services is lower now and better managed than in 2002.

Audit opinion and key findings

Not all recommendations from our 2002 audit have been fully implemented, despite both agencies accepting them all at the time.

For NSW Police, the average sick leave of around 67 hours per employee is worse than it was in 2002. For the Department of Corrective Services, sick leave has remained fairly constant at around 12 days or 90 hours per employee. Recent figures show that overall sick leave taken by the Department of Corrective Services employees is much higher than for NSW Police employees.

The average sick leave taken in NSW Police and the Department of Corrective Services is higher than the public sector average of eight days or 56 hours per employee. And sick leave taken by civilian staff is an emerging problem in both agencies. Despite changes in the sick leave policy or changes in management responsibilities for reducing sick leave, neither agency has had any real success.

Despite an upgrade to the management information system used by NSW Police following our last audit, there are still significant problems with data accuracy and completeness. So we could not judge how well they have been managing sick leave.

Reporting of sick leave is now more accurate and timely in the Department of Corrective Services.

The Department of Corrective Services has introduced new consent awards in two correctional centres as a way to reduce costs. This has achieved lower rates of sick leave for custodial officers in these centres.

Both agencies have introduced initiatives to better monitor and manage sick leave since the 2002 audit. But this has not resulted in any substantial decrease in the overall amount of sick leave taken. NSW Police has not established sick leave targets to measure and report progress. And the Department of Corrective Services has not been able to implement a revised sick leave policy to formalise proposed changes in practice.

Summary of recommendations

Our practice is not to make new recommendations in follow-up audit reports.

Further information

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

Program of Performance Audit Topics for 2006-07

NSW Auditor-General Bob Sendt has released his provisional list of performance audit topics for 2006-07. Performance audits review whether taxpayers' money is being spent efficiently, effectively and in accordance with the law.

The performance audit program comprises follow-up audits and new audits. Follow-up audits are designed to establish the extent to which action has been taken on issues raised in an earlier audit. New audit topics are selected having regard to established government outcome areas and input from a wide range of stakeholders.

Audits already in progress, to be released in 2006-07:

- ◀ Regulating the Clearing of Native Vegetation: Follow-up of 2002 performance audit
- ◀ Roads and Traffic Authority - Condition of our Roads
- ◀ Special Education
- ◀ Managing Nursing Resources
- ◀ The Distribution of Legal Aid in NSW
- ◀ Infectious Disease Outbreaks - Readiness to Respond
- ◀ Helping Elderly People Access Residential care
- ◀ Management of Young Offenders
- ◀ Services for the Homeless
- ◀ Dealing with Burglaries

New audits to commence in 2006-07:

- ◀ Police Rostering
- ◀ Preventing and Responding to Signal and Points Failures on the CityRail Network
- ◀ Agricultural Water Use
- ◀ Heavy Vehicle Safety
- ◀ Park and Ride Facilities for Public Transport in Sydney
- ◀ Agency Amalgamations/De-Amalgamations
- ◀ Sustainable Management of State Pine Plantations
- ◀ TAFE Online and Distance Education Services
- ◀ Using Computers in Schools for Teaching and Learning: Follow-up of 2000 performance audit
- ◀ Readiness to Respond, Ambulance Service: Follow-up of 2001 performance audit
- ◀ The Police Assistance Line: Follow-up of 2003 performance audit.

A detailed release on the program is available at www.audit.nsw.gov.au.

Speeches

Evaluating and improving environmental compliance and enforcement

Presented by Bob Sendt, Auditor-General, on 26 May 2006 at the Environmental Defender's Office Annual Conference.

A transcript of this speech is available from our Internet site on www.audit.nsw.gov.au.

ACCOUNTING UPDATE

Australian Accounting Standards Board (AASB) Meeting 7-8 June 2006

AASB business plan

The Board agreed on the broad outline of the work program, which includes devoting a significant amount of time to public sector specific projects.

New interpretations model

The Interpretations Agenda Committee will comprise the Chairman of the AASB and two Board members. Invitations have been sent and advertisements will be made for individuals to apply for inclusion on a public register of potential advisory panel members.

Australian additions to and deletions from IFRSs

The Board decided to begin developing an exposure draft (ED) that proposes to reverse many of the changes made to IFRSs in the process of making their Australian equivalents. In principle, the ED will propose to include all IFRS options and eliminate additional Australian disclosures.

GAAP/GFS harmonisation

The Board considered draft Standard AASB 10XX 'Financial Reporting of General Government Sectors by Government'. The Board aims to finalise the Standard by September 2006, which would allow a mandatory operative date of years beginning 1 July 2008.

The Board confirmed its decision that GAAP principles, rather than GFS principles, should be applied in determining amounts recognised on the face of financial statements. The Board also confirmed decisions that:

- ◀ the use of GFS terminology in the GGS financial report
- ◀ the classification of items between transactions and other economic flows in the GGS operating statement

- ◀ the disclosure of functional information
- ◀ the disclosure of budgetary information.

Transitional provisions will be considered at a future meeting.

Heritage assets

The Board agreed its submission on the IPSASB Consultation paper 'Accounting for Heritage Assets Under the Accrual Basis of Accounting'. Whilst the Board considers the Consultation Paper a useful first step in exploring issues, it disagrees with many proposals in the Paper.

The Board considers heritage assets a sub-category of property, plant and equipment that should be subject to the same definition, recognition, measurement and presentation requirements as other categories.

Administered items

The Board noted a draft ED with a working title 'Disclosure of Administered and Fiduciary Items Held by Not-for-Profit Public Sector Entities' which, among other things, provides clarity on the distinction between 'controlled', 'administered' and 'custodial' items. Members have divergent views on the meanings of these terms, so further consideration will occur at the next meeting and paper developed explaining views and their implications. This paper will form the basis for broad consultation with constituents prior to developing an ED.

Urgent Issues Group (UIG)

The Board noted the UIG's final meeting held in June 2006 and considered a number of issues raised for consideration by the UIG Agenda Committee:

- ◀ an agenda decision on Australian renewable energy schemes was deferred pending a review the accounting policies applied in 30 June 2006 financial reports
- ◀ petroleum resource rent tax is within the scope of AASB 112 'Income Taxes' but information from other jurisdictions is sought
- ◀ the treatment of taxes in accounting for employers' obligations in respect of defined benefits plans should be referred to the IFRIC
- ◀ the issue of employee share loan plans was rejected from the agenda.

A rejected issue note on subscriber acquisition costs in the telecommunication industry has been placed in the AASB Internet site.

Financial instruments puttable at fair value

The Board agreed to issue an ED based on an ED issued by the International Accounting Standards Board on this topic.

Other items

The Board agreed to consider its submission to the IASB's discussion paper 'Measurement Bases for Financial Reporting - Measurement on Initial Recognition' out of session.

The Board considered submissions on ED 147 'Revenue from Non-Exchange Transactions (Including Taxes and Transfers)'. The Board decided to finalise the content of its submission on the IPSASB's equivalent ED out of session.

Source: AASB Action Alert 95 (June 2006).

Exposure Draft Released

ED 150 'Proposed Amendments to AASB 132 'Financial Instruments: Presentation' and AASB 101 'Presentation of Financial Statements': Financial Instruments Puttable at Fair Value and Obligations Arising on Liquidation'

This ED reproduces an IASB exposure draft of the same name. The ED argues that certain financial liabilities are more akin to equity and need to be accounted for as such, provided certain conditions are met. Three types of financial liabilities that the IASB believes are equity are:

- ◀ ordinary shares that are puttable (i.e. redeemable from) the issuer at fair value
- ◀ ordinary shares of limited life entities
- ◀ partners' interests in a partnership that must liquidate upon the exit of a partner.

The ED is open for comment until 22 September 2006 and is available at: www.aasb.com.au.

Source: ANT 24/2006, 30 June 2006.

Urgent Issues Group (UIG) Update

Meeting 1 June 2006

The UIG held its final meeting on 1 June 2006. In future, the AASB will consider the adoption of International Financial Reporting Interpretations Committee (IFRIC) Interpretations in Australia directly.

At this meeting, the UIG discussed service concession arrangements, which is an issue currently being considered by IFRIC. They also discussed a submission on the 'Draft IFRIC Due Process Handbook', which has been issued for comment.

Replacement interpretations model

The AASB has issued a document that describes how the new interpretations model will work in practice. Subjects covered include the selection of topic panels, the due

process and the AASB's relationship with IFRIC in the context of interpretations.

Sources: UIG Action Alert 06-3 (June 2006), ANT 23/2006, 23 June 2006.

Financial Reporting Council (FRC) Update

At the meeting on 22 June 2006, the FRC was presented with the report 'A review of the policy of sector-neutral accounting standard-setting in Australia'. The FRC agreed to issue a consultation paper seeking public comments on a number of matters raised in the report. The report can be viewed on the FRC's website: www.frc.gov.au.

At this meeting, the FRC received reports on:

- ◀ the leasing of new accommodation for the AASB and AUASB
- ◀ progress with the GAAP/GFS project
- ◀ the successful completion of the AUASB's Force of Law Auditing Standards programme
- ◀ arrangements for the annual peer review of the performance of FRC members
- ◀ progress with the performance of the auditor independence function.

The FRC has considered and approved 2006-07 budgets and business plans for the AASB and AUASB. It also agreed to increase its contribution to the International Accounting Standards Committee Foundation by \$200,000 to a total of \$1m.

Mr John Gethin-Jones has been appointed to the FRC, and Mr Brian Scullin has retired. The FRC has agreed to the appointment of Mr Brian Rix to the AASB.

Sources: FRC Bulletins 06-4 (June 2006), 06-5 (July 2006).

AUDITING UPDATE

Auditing and Assurance Standards Board (AUASB) Meeting 19 June 2006

The Board considered the development of additional guidance to address implications of *Westpac Banking Corporation v 789TEN Pty Limited (2005) NSWCA 321*. In this case it was ruled that a solicitor's representation letter to an auditor was not covered by legal professional privilege. The form and content of guidance was difficult to determine for several reasons. The Board agreed that a legislative solution was a preferred option and will write to the Standing Committee of Attorneys-General seeking their support for changes to evidence laws.

The Board considered a revised draft Guidance Note 'Auditor's Report on AASB 124 Remuneration Disclosures contained in the Annual Director's Report' and agreed to further consider this issue at its next meeting.

The Board approved the issue of AGS 1070 'Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees'.

Source: AUASB website.

Auditing Pronouncements

AGS 1070 'Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees'

This guidance statement provides guidance to auditors on matters relating to the audit of risk management strategies and plans of registrable superannuation entities and the review of risk management systems to maintain compliance with these.

A copy of the guidance statement is available on the AUASB's Internet site: www.auasb.gov.au.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

Meeting 23-26 May 2006

The IASB discussed the following issues:

- ◀ business combinations II
- ◀ insurance
- ◀ accounting standards for small and medium sized entities
- ◀ fair value measurement
- ◀ service concession arrangements
- ◀ IAS 37 re-deliberations
- ◀ employee benefits (pensions)
- ◀ IFRIC update
- ◀ IAS 24 'Related Party Transactions'
- ◀ IFRS 1.

Meeting 20-23 June 2006

The IASB discussed the following issues:

- ◀ financial instruments

- ◀ insurance
- ◀ accounting standards for small and medium sized entities
- ◀ fair value measurement
- ◀ amendments to IAS 37
- ◀ conceptual framework
- ◀ update on IFRIC activities
- ◀ ASB project on pensions accounting
- ◀ IAS 33 'Earnings per share' - treasury stock method
- ◀ technical plan.

Sources: IASB Updates May 2006, June 2006.

New International Standard on Auditor Competence

The International Accounting Education Standards Board (IAESB), an independent standard-setting board within the International Federation of Accountants (IFAC), has released a new standard. International Education Standard (IES) 8 'Competence Requirements for Audit Professionals', applies to all audit professionals, not just the audit engagement partner. It also prescribes specific competence requirements for audit professionals involved in trans-national audits.

The new standard is effective 1 July 2008 and a copy is available from IFAC's Internet site: www.ifac.org.

Source: IFAC Media Release 5 July 2006.

OTHER ITEMS

Australian Professional and Ethical Standards Board (APESB)

APES 320 'Quality Control for Firms'

This standard is the first ethical pronouncement of the APESB which is based on the former APS 5 'Statement of Quality Control for Firms'. APES 320 conforms with the equivalent international standard (ISQC1).

APES 320 contains the basis principles and essential procedures identified in bold type which are mandatory, together with related guidance. The Standard distinguishes between requirements applicable to assurance practices and engagements and those applicable to non-assurance practices and engagements.

Where 'force of law' auditing standards refer to quality control requirements, APESB 320 also has the same 'force of law'.

APES 110 'Code of Ethics for Professional Accountants'

This standard replaces the former Joint Code of Professional Conduct. Compliance with this new Code is mandatory for all members of CPA Australia and the Institute of Chartered Accountants in Australia.

Where 'force of law' auditing standards refer to relevant ethical pronouncements, APESB 110 also has the same 'force of law'.

APES 410 'Conformity with Auditing and Assurance Standards'

This standard requires the application of Auditing and Assurance Standards to all Australian financial report audits and to other engagements where permitted and necessary. The basic principles and essential procedures identified in bold type are mandatory and must be complied with. Members of CPA Australia and the Institute of Chartered Accountants in Australia are bound by APES 410.

These three APESB standards are effective from 1 July 2006. Copies of the standards can be accessed via the CPA Australia Internet site (www.cpaaustralia.com.au) or the Institute of Chartered Accountants in Australia Internet site (www.icaa.com.au).

Australian Prudential Regulation Authority (APRA) Prudential Standards and Guidance

Revised prudential standards and guidance applies effective 1 July 2006 to reflect the adoption of International Financial Reporting Standards by approved deposit takers. Prudential standards APS 111 'Capital Adequacy: Measurement of Capital', APS 220 'Credit Quality' and associated guidance notes have significantly altered. The revised pronouncements are available from APRA's Internet site: www.apra.gov.au.

Corporations and Markets Advisory Committee (CAMAC) Report: Corporate Duties Below Board Level

CAMAC's role is to provide advice to the Australian Government on issues that arise from time to time in corporations and financial markets law and practice. In response to the Government's request, CAMAC has released a report recommending broader application of directors' duties per the *Corporations Act 2001*.

The report's recommendations include:

- ◀ application of the duties in sections 180 (care and diligence) and 181 (good faith and proper purpose) to directors and corporate officers and 'any other person who takes part, or is concerned, in the management of that corporation'
- ◀ extension of the prohibitions in sections 182 and 183 (dealing with improper use of corporate position or corporate information) beyond directors, other officers and employees of a corporation to 'any other person who performs functions, or otherwise acts, for or on behalf of that corporation'

- ◀ extension of the prohibitions in sections 1309 (providing false information to various parties, including a director, auditor or shareholder) and 1307 (falsifying or destroying corporate records) beyond officers and employees of a corporation to 'any other person who performs functions, or otherwise acts, for or on behalf of that corporation'.

A copy of the full report is available from CAMAC's Internet site www.camac.gov.au.

Source: ANT 22/2006, 16 June 2006.

MISCELLANEOUS PUBLICATIONS

Australian Capital Territory Auditor-General's Office

Performance audit reports:

- ◀ Management of Trust Monies and Other Non-Public Moneys
- ◀ Road Safety

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

Australian National Audit Office

Performance audit reports:

- ◀ Assuring Centrelink Payment - The Role of the Random Sample Survey Programme
- ◀ Selected Measures for Managing Subsidised Drug Use in the Pharmaceutical Benefits Scheme
- ◀ Internet Security in Australian Government Agencies
- ◀ Commonwealth State Housing Agreement Follow-up Audit
- ◀ Funding for Communities and Community Organisations
- ◀ Job Placement and Matching Services
- ◀ Arrangements to Manage and Account for Aid Funds Provided Under the Australia-Indonesia Partnership for Reconstruction and Development
- ◀ Implementation of the Parliamentary Resolutions Arising From the Review by the Parliamentary Service Commissioner of Aspects of the Administration of the Parliament
- ◀ Management of selected Telstra Social Bonus 2 and Telecommunications Service Inquiry Response Programs

Other reports:

- ◀ Interim Phase of the Audit of Financial Statements of General Government Sector Entities for the Year Ending 30 June 2006
- ◀ Audit Work Programme 2006-2007.

Speeches:

- ◀ The role of the Auditor-General and my relationship with the Parliament
- ◀ The ANAO's leadership initiatives in improving public administration.

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

Queensland Audit Office

Other publication:

- ◀ Auditor-General of Queensland Report No 2: Results of Performance Management Systems Audits of Government Owned Corporations' Performance Reporting.

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

Tasmanian Audit Office

Other report:

- ◀ Report No 1 - Completion of June 2004-05 and December 2005 Audits and Update on Infrastructure Funds.

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

Victorian Audit Office

Performance audit reports:

- ◀ Access to specialist medical outpatient care
- ◀ Protecting our environment and community from failing septic tanks

Other report:

- ◀ Results of financial statement audits for agencies with other than 30 June 2005 balance dates and other audits.

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

Office of the Auditor General for Western Australia

Other reports:

- ◀ Early Diagnosis: management of the Health Reform Program

◀ Help Wanted: Public Service Workforce Management

◀ Procurement Reform: Beyond Compliance to Customer-Focus

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

Independent Commission Against Corruption

◀ Sponsorship in the Public Sector

◀ Report on cover-up of an assault on an inmate at Parramatta Correctional Centre

◀ Corruption Matters - issue 27

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

LEGISLATIVE CHANGES UPDATE

Co-operatives Amendment (Financial Reporting) Regulation 2006

This Regulation makes a number of changes to the prescribed form of annual report for co-operatives in order to comply with the new International Financial reporting Standards.

This Regulation is made under the *Co-operatives Act 1992*, including sections 252(1)(e) and 446 (the general regulation making power).

(GG No 75, 9 June 2006, page 3941).

Appropriation Act 2006 No 46

This Act was assented to on 20 June 2006. This Act makes an appropriation out of the Consolidated Fund for recurrent services and capital works and services of the Government for the year 2006-07.

(GG No 82, 23 June 2006, page 4562).

Appropriation (Parliament) Act 2006 No 47

This Act was assented to on 20 June 2006. This Act makes an appropriation out of the Consolidated Fund for recurrent services and capital works and services of the Legislature for the year 2006-07.

(GG No 82, 23 June 2006, page 4562).

Appropriation (Special Offices) Act 2006 No 48

This Act was assented to on 20 June 2006. This Act makes an appropriation out of the Consolidated Fund for recurrent services and capital works and services of the certain offices for the year 2006-07.

(GG No 82, 23 June 2006, page 4562).

Statute Law (Miscellaneous Provisions) Act 2006 No 58

This Act was assented to on 20 June 2006. It makes an amendment to the *Public Finance and Audit Act 1983*. 'Waterways Authority' is omitted from Schedule 2 (Statutory bodies) to that Act and replaced with 'Maritime Authority of NSW'.

(GG No 82, 23 June 2006, page 4562).

Proclamation under the Public Sector Employment and Management Act 2002 No 43

This Proclamation provides for certain classes of person to have the benefit of enhanced extended leave entitlements referred to in Schedule 3 to the *Public Sector Employment and Management Act 2002*.

(GG No 84, 30 June 2006, page 4788).

Proclamation under the Public Sector Employment and Management Act 2002 No 43

This Proclamation provides for certain instruments relating to employment to adopt enhanced extended leave entitlements conferred under Schedule 3 to the *Public Sector Employment and Management Act 2002*.

(GG No 84, 30 June 2006, page 4789).

Public Authorities (Financial Arrangements) Amendment (Excluded Joint Ventures) Regulation 2006

This Regulation extends the operation of clause 55 of the *Public Authorities (Financial Arrangements) Regulation 2005* until 30 June 2007. That clause excludes certain activities from the provisions of the *Public Authorities (Financial Arrangements) Act 1987*.

This Regulation was made under the *Public Authorities (Financial Arrangements) Act 1987*, including section 22K.

(GG No 84, 30 June 2006, page 4873).

Public Sector Employment and Management (Natural Resources) Order 2006

This order transfers certain staff from the Department of Natural Resources to Premier's Department. The Order commences on 1 July 2006.

(GG No 84, 30 June 2006, page 4903).

Proclamation under the Public Finance and Audit Act 1983

The *Public Sector Employment and Management (Children and other matters) Order 2006* abolished the Office of the Commission for Children and Young People and the Office of the Children's Guardian as Departments of the Public service and established the Office for Children as a Department of the Public Service.

This Proclamation amends Schedule 2 (Statutory bodies) and Schedule 3 (Departments) to the *Public Finance and Audit Act 1983* to reflect these changes.

(GG No 87, 30 June 2006, page 5163).

Public Authorities (Financial Arrangements) Amendment (Joint Ventures) Regulation 2006

This Regulation clarifies the activities that are joint ventures for the purposes of the *Public Authorities (Financial Arrangements) Act 1987* and to exclude certain activities from the provisions relating to joint ventures.

This Regulation was made under the *Public Authorities (Financial Arrangements) Act 1987*, including section 22K and section 43 (the general regulation making power).

(GG No 90, 7 July 2006, page 5272).

PREMIER'S DEPARTMENT UPDATE

Premier's Department Circulars

Number		Issued
C2006-16	Defence force Day Council Parades - 1&2 July 2006	May 2006
C2006-17	National Aboriginal and Islander Day Observance Committee (NAIDOC Week 2-9 July 2006) (supersedes C2005-25)	May 2006
C2006-18	Reduction in the Rate of Fringe Benefits Tax (updates C2000-46)	June 2006
C2006-19	Unions NSW Organised Day of Action (28 June 2006 (supersedes C2005-41))	June 2006
C2006-21	Introduction of electronic distribution of The Public Sector Notices	June 2006
C2006-22	Senior Executive Service- Notional Salary (supersedes C2005-27)	June 2006
C2006-23	Retirement Intentions Survey Report	June 2006
C2006-24	Federal Budget 2006-07- Proposed changes to superannuation rules and personal income tax rates	June 2006

C2006-25 Military Leave - Defence Reserve Service July 2006
 (Protection) Act 2001
 (relates to C2004-11 and C2004-38)

C2006-26 Changes to Government Advertising Policy July 2006

C2006-18 Reduction in the Rate of Fringe Benefits Tax

The 2006-2007 Federal Budget reduced the rate of Fringe Benefits Tax (FBT) from 48.5% to 46.5%, effective from 1 April 2006. This impacts the calculation of benefits provided as part of total remuneration packages.

C2006-21 Introduction of electronic distribution of the Public Sector Notices

The Public Sector notices will be delivered electronically from Wednesday 2nd August.

C2006-22 Senior Executive Service- Notional Salary

From 1 July 2006, the maximum contribution base for employer superannuation contributions is \$35,240 per quarter.

C2006-23 Retirement Intentions Survey Report

The Public Employment Office will work closely with agencies, relevant unions and employees to address recommendations within the survey.

C2006-24 Federal Budget 2006/07- Proposed changes to superannuation rules and income tax rates

Proposals for changes to superannuation and personal income tax rates were announced in the Federal Budget on 9 May 2006. Employees and officers who are salary packaging or salary sacrificing to superannuation may need to consider the impact of the proposed changes on their arrangements.

C2006-25 Military Leave - Defence Reserve Service (Protection) Act 2001

This Circular is to advise agencies of the legal requirement to release employees to undertake duties as members of the Defence Forces.

C2006-26 Changes to Government Advertising Policy

This circular announces changes to whole of government advertising policy relating to:

- ◀ important public information and statutory notices
- ◀ the government's composite recruitment advertisement, which appears in the metropolitan press each Saturday

◀ the introduction of a government authorisation statement for all television and radio campaign advertisements.

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

Premier's Memoranda

Number		Issued
M2006-07	Legislative Program Spring Sitzings 2006 (supersedes M2005-13)	May 2006
M2006-08	Maintaining Confidentiality of Cabinet Documents and Other Cabinet Conventions	June 2006
M2006-09	Chief Executive Officer Performance Agreements (should be read in conjunction with M2006-10)	June 2006
M2006-10	Improving Outcomes for Aboriginal People and their Communities (should be read in conjunction With M2006-9)	June 2006
M2006-11	NSW Procurement Reforms (should be read in conjunctions with TC 04/07 and M2001-16)	July 2006

M2006-07 Legislative Program Spring Sitzings 2006

This Memorandum sets out the deadlines for the receipt of Cabinet Minutes and for the introduction of Bills for the 2006 Spring sittings of Parliament.

M2006-08 Maintaining Confidentiality of Cabinet Documents and Other Cabinet Conventions

This Memorandum covers confidentiality requirements for Cabinet documents and refers to 'Cabinet Conventions: NSW Practice' which sets out the importance of maintaining Cabinet confidentiality.

M2006-09 Chief Executive Officer Performance Agreements

This Memorandum discusses the responsibilities of CEOs and refers to 'Guidelines for Developing Performance Agreements for Chief Executive Officers' which provides guidance in developing performance agreements that recognise the role of CEOs in achieving government results.

M2006-10 Improving Outcomes for Aboriginal People and their Communities

This Memorandum is to affirm the NSW Government's commitment to Aboriginal people and their communities and, in particular, its commitment to *Two Ways*

Together (the NSW Government's ten year *Aboriginal Affairs Plan 2003-2012, Two Ways Together*). It also brings to the attention of Ministers, CEOs and all senior officials some new developments in Aboriginal Affairs that will have a significant impact on public sector service delivery across New South Wales.

M2006-11 NSW Procurement Reforms

This Memorandum outlines initiatives to further improve procurement outcomes, get better outcomes for taxpayers and reduce the operating costs of government. These initiatives include:

- ◀ the use of whole of government contracts when available
- ◀ an agency accreditation scheme
- ◀ electronic procurement requirements
- ◀ electronic tendering requirements.

These measures apply to all government agencies, including statutory authorities, trusts and government entities, except State Owned Corporations.

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

TREASURY UPDATE

Treasury Circulars

Number		Issued
TC 06/11	AASB 1 First-Time Adoption of Australian Equivalents to International Financial Reporting Standards (AEIFRS)	June 2006
TC 06/12	Financial Reporting Requirements of NSW Government Entities including those Affected by Restructures	June 2006
TC 06/13	Financial Reporting and Annual Reporting Requirements arising from Employment Arrangements	June 2006
TC 06/14	Mandates of Options and Major Policy Decisions Under AEFIRS	June 2006
TC 06/15	Crown Contingent Liabilities and Guarantees	June 2006
TC 06/16	Rates/Indices for Measuring Provisions at Present Value	June 2006

TC 06/17 Consequences of New Employment Arrangements - July 2006
Other Taxation, Administrative and Operational Issues

TC 06/11 AASB 1 First-time Adoption of Australia Equivalents to International Financial Reporting Standards

This Circular provides agencies with guidance in meeting their obligation to comply with AASB 1 for the year ending June 30 2006.

TC 06/12 Financial Reporting Requirements of NSW Government Entities including those Affected by the Restructures

This Circular explains the reporting entity concept and reporting requirement for NSW public sector entities and advises the effect of government restructures on reporting. It differentiates between financial reporting and annual reporting requirements.

TC 06/13 Financial Reporting and Annual Reporting Requirements arising from Employment Arrangements

This Circular sets out changes to financial reporting and annual reporting for statutory corporations as a result of the *Public Sector Employment Legislation Amendment Act 2006*.

TC 06/14 Mandates of Options and Major Policy Decisions Under AEIFRS

This circular mandates accounting policy options and decisions to be applied by NSW public sector entities in their 2005/06 and subsequent financial reports.

TC 06/15 Crown Contingent Liabilities and Guarantees

All Crown contingent liabilities and/or guarantees relating to contracts signed by Ministers, on behalf of the Crown, should be reported in agency financial reports.

TC 06/16 Rates/Indices for Measuring Provisions at Present Value

This Circular provides guidance to agencies when calculating present values of provisions recognised under AASB 119 'Employee Benefits', AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' and AASB 1023 'General Insurance Contracts'

TC 06/17 Consequences of New Employment Arrangements - Other Taxation, Administrative and Operational Issues

This circular covers the remaining taxation and operational issues facing statutory corporations and Divisions created by the *Public Sector Employment Legislation Amendment Act 2006*.

These Circulars are available at www.treasury.nsw.gov.au.

Treasury Policies and Guidelines Papers

Number		Issued
TPP 06-3	Lessor Accounting for Prepaid Long-term Leases of Land	June 2006
TPP 06-4	Accounting for Financial Instruments	June 2006
TPP 06-5	Financial Reporting Code for Budget Dependent General Government Sector Agencies	June 2006
TPP 06-6	Accounting Policy - Guidelines for Capitalisation of Expenditure on Property, Plant and Equipment	June 2006
TPP 06-7	Accounting Policy - Contributions by Owners Made to Wholly-Owned Public Sector Entities	June 2006
TPP 06-8	Accounting Policy - Accounting for Privately Financed Projects	June 2006

TPP 06-3 Lessor Accounting for Prepaid Long-term Leases of Land

This Policy sets out the accounting treatment for lessors when accounting for a prepaid long-term lease of land. In accordance with AASB 117 'Leases', provided title does not pass to the lessee by the end of the lease term, a long-term land lease should be classified as an operating lease. Prepaid rentals are allocated on a systematic basis over the entire lease term.

Treasury requires land subject to long-term leases to be measured at fair value, in accordance with either AASB 140 'Investment Property' or AASB 116 'Property, Plant and Equipment'.

The Policy also prescribes disclosures within financial reports regarding long-term leases of land, in excess of those required by Accounting Standards.

TPP 06-4 Accounting for Financial Instruments

This Policy provides guidance for applying AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 132 'Financial Instruments: Disclosure and Presentation'. It includes requirements and guidance on:

- ◀ likely classification of financial instruments
- ◀ restrictions on the use of certain categories of financial instruments
- ◀ derivatives and hedge accounting
- ◀ interest free and low interest loans
- ◀ Treasury's mandates, including early adoption decisions.

TPP 06-5 Financial Reporting Code for Budget Dependent General Government Sector Agencies

The Code sets out the financial reporting framework for Budget Dependent agencies, outlining the form and content of financial reports and the accompanying note disclosures.

The Code has been updated for Australian Equivalents to International Financial reporting Standards, but does not reflect all Accounting Standard disclosure requirements.

TPP 06-6 Accounting Policy - Guidelines for Capitalisation of Expenditure on property, Plant and Equipment

These Guidelines discuss the Accounting Standard distinction between capitalising and expensing property, plant and equipment costs. They provide guidance to agencies when developing operational rules and updating asset maintenance plans.

TPP 06-7 Accounting Policy - Contributions by Owners Made to Wholly-Owned Public Sector Entities

This Policy designates certain types of transfers as contributions by owners. It requires contributions to be measured at fair value to the transferee except for transfers between departments. It also sets out the accounting treatment for adjustments to asset and liability values on transfer and examines the financial and annual reporting requirements for transferor and transferee entities.

TPP 06-8 Accounting Policy - Accounting for Privately Financed Projects

This Policy provides guidance for public sector entities when accounting for privately financed projects. The Policy includes analysis of whether the public sector purchaser or the private sector operator has an asset (being the infrastructure that is the subject of the project).

Guidance is also provided on up-front contributions, the residual interest in the infrastructure and associated leases of land.

These Policy and Guidelines Papers 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>.

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