

AWARENESS

Accounting and Auditing Developments ISSUE 5 - JULY/SEPTEMBER 2008

AUDIT OFFICE UPDATE

Auditor-General's Report to Parliament: Delivering health care out of hospitals

About the Audit

Unless it develops alternatives, NSW Health estimates it will need to open at least 300 new beds every year to keep up with the predicted growth in demand. The implications are severe: in 1971-72 health expenditure was 14.6 per cent of the total NSW budget, by 2007-08 it was around 28 per cent. At this rate, funding for health will consume the entire State budget by 2033.

Out of hospital care programs are a way of responding to the increasing demand. International evidence shows that these programs provide good outcomes for patients, reducing the number of times they need to go to hospital and the number of days they need to stay there.

We audited four of NSW Health's largest out of hospital programs to assess how well they provide effective alternatives to treatment in hospital. We asked:

- Does NSW Health have an effective approach to out of hospital care?
- Will NSW Health's out of hospital approach help achieve State Plan targets?

Audit Opinion

Area Health Services and hospitals have developed programs which can provide clinical outcomes as good for patients as in-hospital care and can reduce the time they spend in hospital. They have operated for several years and show considerable potential.

Nearly 45,000 patients are currently being treated each year out of hospital in NSW Health's Community Acute/Post Acute Care, ComPacks and Rehabilitation for Chronic Disease programs.

We estimate that these three programs operate at around half the cost of providing the care in hospital. The number of patients cared for is equivalent to three per cent of inpatient admissions and two per cent of beds.

The Healthy at Home program is still being piloted, but an evaluation commissioned by NSW Health suggests that it is not yet achieving its planned objectives.

Access to emergency departments and to elective surgery have improved over the past two years, however it is not clear whether NSW Health's out of hospital initiatives have contributed to this.

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**THE AUDIT OFFICE
OF NEW SOUTH WALES**

While patients achieve good health outcomes, we are concerned that NSW Health needs more consistent measures of the quality of care it provides.

NSW Health's out of hospital programs are intended to contribute to the State Plan target for reducing avoidable admissions. However, little progress towards the target has been achieved.

NSW Health needs to demonstrate that expanding its out of hospital initiatives is an effective way to respond to growing demand on hospitals, and that it represents better value for money than increasing bed numbers.

It needs to identify the number of patients who can potentially be treated out of hospital, and plan for securing the necessary resources and implementing significant changes.

In particular, it needs to ensure that the public is adequately informed of the programs so that they will confidently choose them. Health professionals need to be included in planning to ensure their support and cooperation.

For further information, please contact Sean Crumlin, Director Performance Audit on +61 2 9275 7286. The full report is available on the Audit Office's website www.audit.nsw.gov.au

Performance Audit Report: Improving Literacy and Numeracy in NSW Public Schools

About the audit

During the last ten years the NSW Department of Education and Training has spent a significant amount to improve literacy and numeracy in NSW public schools. Since 1998-99 funding for literacy and numeracy programs has increased three-fold from \$53 million to \$154 million in 2006-07. This \$154 million in funding, which consists of \$50 million directed towards literacy and numeracy programs and \$104 million of equity program funding, is to be maintained over the next four years.

Our audit looked at whether the Department of Education and Training's processes to improve literacy and numeracy are likely to be successful. Specifically we asked:

- are literacy and numeracy needs adequately assessed?
- are there adequate programs to help those with literacy and numeracy learning needs?
- how does the Department know which programs are successful?

Audit opinion

For many years, and particularly over the last decade, the Department of Education and Training has focused on building the capacity of teachers and schools to improve the levels of literacy and numeracy in NSW public schools.

During the course of the audit we were impressed by the dedication and efforts of teachers in NSW public schools, particularly when dealing with the needs of students with learning difficulties.

Although NSW schools perform well nationally and internationally, NSW has a high concentration of poor outcomes in some schools and some regions. Each year a group of between 5 and 15 per cent of children are at risk of not reaching the minimum level of achievement needed to progress at school. In this group, indigenous students are over represented.

We were impressed by the Department of Education and Training's continuing focus on improving the literacy and numeracy of NSW public school students and the extensive range of programs it has developed for this purpose.

Despite this, over the last decade State tests have shown little change in results for numeracy and literacy. We see a number of risks to the success of the Department's efforts. There is no systematic assessment of what resources and support are needed. The recent increased focus and support may be too diffused to make a significant difference, particularly for the lowest performing group. The lowest performing group are likely to have the least experienced teachers. The available support may not reach all students 'at risk', particularly if they are not in designated *Priority* schools.

In our view, all children who are having difficulties, and who are at risk of failing, need:

- a full assessment and an individual learning plan for their improvement that can move from school to school
- access to resources and support based on their individual needs and disadvantage, not the school they happen to be enrolled in
- a continuing record of their performance and the support they have received, so teaching can be better tailored to their individual needs and their progress can be effectively tracked regardless of their location.

Summary of recommendations

We recommended a series of measures to assist the Department:

- sharpen its focus on those individual students at risk
- more effectively target its limited resources and support to the needs of individuals
- more rigorously review its programs and the performance of low achieving schools.

Further information

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

Speeches by the Auditor General of New South Wales: Public Sector Annual Reporting

In June 2008, the Auditor-General presented to the Public Bodies Review Committee at the Public Sector Annual Reporting Workshop on performance reports with direct reference to Annual and Continuous Reporting. The Auditor-General covered:

- performance reporting foundations
- good governance culture
- the seven principles on what makes a good annual report.

The full presentation is available on the Audit Office's website www.audit.nsw.gov.au/

ACCOUNTING UPDATE

Accounting Standards

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101

Applicable to annual reporting periods beginning on or after 1 January 2009, this standard amends AASB 1049 by:

- reflecting the revised requirements in AASB 101 (September 2007), including presenting a whole of government and GGS statement of changes in equity, and using AASB 101 terminology;

- clarifying that the whole of government operating statement disclosures referred to in paragraph 41(b)(iii) of AASB 1049 (October 2007) relate to the sector statements that are disclosed by the whole of government; and
- clarifying that the budget information disclosure requirements in paragraph 59 of AASB 1049 (October 2007) only relate to the budgeted financial statement(s) that were initially presented to parliament.

This standard was made as a result of responses to *AASB ED 163 Proposed Amendments to AASB 1049 for Consistency with AASB 101*.

Source: AASB Action Alert (25 September 2008) and AASB 2008-9

AASB 1039 Concise Financial Reports

Applicable for reporting periods beginning on or after 1 January 2009, AASB 139 was revised to achieve consistency with the revised AASB 101 (September 2007), and AASB 8 (February 2007).

Source: AASB Action Alert (28 August 2008) and AASB 1039 (August 2008)

AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items

AASB 2008-8 amends the application guidance of AASB 139 *Financial Instruments: Recognition and Measurement* to clarify how the existing principles underlying hedge accounting apply to the designation of:

- a one-sided risk in a hedged item; and
- inflation as a hedged risk or portion in particular circumstances.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 July 2009

Source: AASB Action Alert (28 August 2008) and AASB 2008-8

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

Applicable to annual reporting periods beginning on or after 1 January 2009, this standard arises from proposals included in Exposure Draft ED 160 "Exposure Draft of Proposed Amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*". The standard makes the following amendments:

- remove from AASB 118 *Revenue* the requirement to deduct dividends declared out of pre-acquisition profits from the cost of an investment in a subsidiary, jointly controlled entity or associate;
- amend AASB 136 *Impairment of Assets* to include recognising a dividend from a subsidiary, jointly controlled entity or associate, together with other evidence, as an indication that the investment in the subsidiary, jointly controlled entity or associate may be impaired; and
- amend AASB 127 *Consolidated and Separate Financial Statements* to require, in particular circumstances, a new parent created in a group reorganisation to measure the cost of its investment at the carrying amount of the share of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation.

Source: AASB Action Alert (27 June 2008) and AASB 2008-7.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process

Applicable to annual reporting periods beginning on or after 1 July 2009, this Standard amends AASB 1 and AASB 5 to include requirements relating to a sale plan involving the loss of control of a subsidiary. The amendments require all the assets and liabilities of such a subsidiary to be

classified as held for sale and clarify the disclosures required when the subsidiary is part of a disposal group that meets the definition of a discontinued operation.

This result from amendments to IFRS made by the IASB as a result of its annual improvements process.

Source: AASB Action Alert (27 June 2008) and AASB 2008-7

AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process

Applicable to annual reporting periods beginning on or after 1 January 2009, this standard makes numerous changes to the majority of the AASB standards. Some of the amendments result in changes to presentation, recognition or measurement requirements, while other amendments are only terminology and editorial changes that have no or minimal effect for accounting purposes.

This standard results from amendments to IFRS made by the IASB under its annual improvements process.

Source: AASB Action Alert (27 June 2008) and AASB 2008-5

Interpretations

The Board made AASB 1048 *Interpretation and Application of Standards* (September 2008) which includes the addition of the following principal pronouncements:

- AASB Interpretation 15 *Agreements for the Construction of Real Estate*;
- AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*;
- AASB Interpretation 1003 *Australian Petroleum Resource Rent Tax*; and
- AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* (December 2007).

Interpretations 15 and 16 were approved by the Board in August 2008, Interpretation 1003 was approved in November 2007 and the reissued Interpretation 1038 was approved in December 2007. The revised AASB 1048 also lists all Interpretations revised by Accounting Standards since September 2007. The revised AASB 1048 is applicable to annual reporting periods ending on or after 30 September 2008.

Source: AASB Action Alert (25 September 2008)

Exposure Drafts and Invitations to Comment

AASB ED 165 Improvements to Australian Accounting Standards

This ED was published in September 2008 and includes the IASB's ED *Improvements to IFRSs* that was issued as part of the IASB's annual improvements project. The Board noted that the proposal to add a section to the Appendix to AASB 118 on determining whether an entity is acting as a principal or agent might have implications in a public sector not-for-profit context. The Board decided to specifically seek input on that proposal.

The ED is available on the AASB website: www.aasb.gov.au/ and comments are due to the AASB by 20 October 2008.

Source: AASB Action Alert (28 August 2008) and ED 165

AASB ED 166 Simplifying Earnings per Share: Proposed amendments to AASB 133

This ED was published in August 2008 and includes the IASB's ED *Simplifying Earnings per Share: Proposed amendments to IAS 33*. The objective of the ED is to reduce differences between IFRSs and US GAAP that are capable of resolution in a relatively short time and can be addressed outside current and planned major projects. The proposals in the ED aim to achieve convergence of the

denominator of the earnings per share (EPS) calculation according to IAS 33 and Statement of Financial Accounting Standards No. 128 *Earnings per Share*.

The ED is available on the AASB website: www.aasb.gov.au/ and comments are due to the AASB by 31 October 2008.

Source: AASB Action Alert (28 August 2008) and ED 166

AASB Special Reports & Announcements

NSS 4 A report on not-for-profit entity implications of (1) the IASB's conceptual framework exposure draft covered by ED 164 and (2) the IASB's conceptual framework discussion paper covered by ITC 17

This report was issued in July by the standard setting bodies of Australia, Canada, UK and New Zealand. The objective is to highlight the key issues for NFPs arising from ED 164 and ITC 17. For further information please refer to [NSS-4](#)

Source: NSS 4, AASB website: www.aasb.gov.au/

AASB's Social Benefits Submission to IPSASB

The AASB has made a submission to IPSASB regarding:

ED 34 *Social Benefits: Disclosure of Cash Transfers to Individuals or Households*;
Consultation Paper, Social Benefits: Issues in Recognition and Measurement; and
Project Brief Long-term Fiscal Sustainability.

The AASB is supportive of a project to develop an IPSAS for social benefits. However it believes that the IPSASB needs to take a more fundamental approach to the social benefits project and progressed it in conjunction with the conceptual framework project.

The submission is available for download from the [AASB website](#).

Source: Accounting & Assurance News Today (ANT) issue 32 (22 August 2008)

Australian Accounting Standards Board (AASB) - Meetings

AASB Meeting Highlights – 24 September 2008

At its meeting the AASB discussed the following items:

- **Superannuation Plans and ADFs** - the Board considered a revised version of the draft ED for a replacement Standards for AAS 25. The Board will consider a further revised version of the draft ED at a future meeting.
- **GAAP/GFS Harmonisation for Entities within the GGS** - the Board reconsidered its tentative decisions relating to GAAP/GFS harmonisation for entities within the GGS made at its May 2008 meeting.

The Board decided that the approach to GAAP/GFS harmonisation for entities within the GGS should differ from that adopted in AASB 1049 for GGSs and whole of governments, particularly on the grounds of the relevance of information for users. Accordingly, the Board came to the view that GAAP/GFS harmonisation for entities within the GGS could be achieved by those entities adopting applicable Australian Accounting Standards and by the Board amending AASB 101 *Presentation of Financial Statements* to specify that those entities should adopt the financial statement formats prescribed in AASB 1049 (in particular, the transactions/other economic flows split in the statement of comprehensive income), but exclude the key fiscal aggregates section at the foot of the statements.

The Board agreed that:

- a) some of the other GAAP/GFS harmonisation requirements in AASB 1049 are also not relevant for entities within the GGS, including the requirement to disclose sector

information, GFS functional information and reconciliations of GAAP measures to GFS measures of key fiscal aggregates;

- b) it is not necessary for the Board to limit the recognition and measurement choices in Australian Accounting Standards to align with GFS, because the relevant authority in each jurisdiction can impose such limitations; and
- c) to limit the scope of the project. Other requirements imposed on GGSs and whole of governments by AASB 1049 should not be imposed on entities within the GGS. For example, budgetary reporting requirements will be the subject of a separate future project.

The Board will consider at a future meeting a draft ED that proposes amendments to AASB 101. It is intended that the proposals would apply to all entities within the GGS (whether incorporated or unincorporated, and whether for-profit or not-for-profit).

- **Conceptual Framework** - the Board considered a draft submission on the IASB-FASB Discussion Paper *Preliminary Views on an improved Conceptual Framework for Financial Reporting: The Reporting Entity*, having regard to the comments received on the AASB's related Invitation to Comment (ITC 17) and comments made at its Conceptual Framework Roundtable in August. The Board agreed that its submission should indicate that:
 - it agrees with a broad description of a reporting entity as proposed by the DP, rather than seeking to develop a precise definition;
 - the controlling entity model is distinctly different from a risks and rewards model. Consistent with the view articulated in the DP, control should be used for determining the composition of a group reporting entity. However, a risks and rewards analysis may be useful at the standards level in assisting the determination of where control resides;

Source: AASB Action Alert (25 September 2008)

AASB Meeting Highlights – 27 August 2008

At its meeting the AASB discussed the following items:

- **Superannuation Plans and ADFs** - the Board considered the draft ED for a replacement Standards for AAS 25. The Board will consider a further revised version of the draft ED at the September meeting.
- Various authorisations for EDs, Interpretations and standards.

AASB Meeting Summary – 30-31 July 2008

This was a joint meeting with NZ FRSB. At this meeting the following topics were discussed:

- Criteria for modifying IFRS requirements in respect of NFPs long-term fiscal sustainability
- Service Concession Arrangements - Grantor Accounting
- IPSASB Report
- IASB Standards Advisory Council (SAC Report)
- Business Combinations - Not-for-Profit Entities
- Emission Trading Schemes
- Financial Statement Presentation - Phase B
- Differential Reporting SMEs Cost of an Investment in a Subsidiary Jointly Controlled Entity or Associate
- Concise Financial Reports
- Related Party Disclosures in the Public Sector

Source: AASB Action Alert (4 August 2008)

AASB Meeting Summary – 25-26 June 2008

At its meeting the AASB discussed the following topics:

- Board Membership
- Social Benefits
- Superannuation Plans and ADFs
- Service Concession Arrangements - Grantor Accounting
- Conceptual Framework Exposure Drafts
- Reporting Entity Concept
- Differential Reporting
- Annual Improvements
- Interpretations
- IPSASB Report
- Income Taxes
- Cost of Investment in Subsidiary
- Non-current Assets Held for Sale and Discontinued Operations
- Criteria for modifying IFRS requirements in respect of NFPs
- Board Structure and Relationships

Source: AASB Action Alert (27 June 2008).

Financial Reporting Council (FRC) Meetings

FRC Meeting Highlights – 9 September 2008

- **IFRS Workshop** – a report collated by PWC was considered. The report documented the survey results of G100 members on their experiences adopting IFRS. The results provide strong support for a principles based approach to standard setting. The report also documents the costs and benefits of adopting IFRS. The workshop discussed specific areas identified by G100 members that required review by the IASB. The Chairman of the IASB referred the workshop to the existing work schedule of the IASB indicating that these matters were already under review.
- **Public Sector Accounting Workshop** – the FRC discussed key issues of importance for the workshop including transaction neutrality, ex-post versus ex-ante reporting, Government Finance Statistics (GFS) reporting requirements and New Zealand's approval to Public Sector Accounting Standards.
- **Emissions Trading** – the FRC noted the importance of developing an operable accounting standard for emissions trading by 2010.
- **Recent Stakeholder Meetings** – special meeting convened on 12 August 2008 with Sir David Tweedie (Chairman of the IASB). Sir Tweedie highlighted high priority issues to the IASB over the next few years which include responding to the recommendations of the Financial Stability Forum on Enhancing Market and Institutional Resilience.

FRC Meeting Summary – 11 June 2008

At its meeting the FRC discussed the following topics:

- Emissions Trading
- Public Sector Accounting
- Credit Crisis Roundtable
- The Federal Government's current Financial Improvements Project
- G100-FRC IFRS Post-implementation review workshop
- AASB, AUASB and FRC Business Plans and Future Directions
- Reports from the standard setters and committees.

For further details, go to the [FRC website](#).

Source: FRC Bulletin - Issue 2008/03 (11 June 2008).

AUDITING UPDATE

New and revised pronouncements

ASRE 2410 Review of an Interim Financial Report by the Independent Auditor of the Entity

ASRE 2400 Review of a Financial Report performed by an Assurance Practitioner who is not an Auditor of the Entity

ASRE 2405 Review of Historical Information Other than a Financial Report

ASRE 2410 is an amended standard while the other standards are new. These revisions were necessary to replace *AUS 902 Review of Financial Reports*, which had broad application to reviews of historical and prospective financial information as well as reviews of non-financial information.

This suite of standards allows the auditor to select the appropriate standard rather than adapt a generalised standard.

The standards are operative for review engagement commencing on or after 1 October 2008.

Source: AUASB Media Release (17 September 2008).

ASAE 3500 'Performance Engagements'

ASAE 3500 will primarily be used on public sector assurance engagements where the performance of an entity's activities is examined.

This standard replaces AUS 806 Performance Auditing and AUS 806 Planning Performance Audits.

The standard becomes operative for performance engagements commencing on or after 1 January 2009.

Source: AUASB Media Release (31 July 2008).

ASAE 3100 'Compliance Engagements'

ASAE 3100 will assist with the audit or review of an entity's compliance with requirements under legislation, regulation, company policies, statutory requirements, and enforceable contractual obligations.

The AUASB has previously provided subject-matter specific guidance to auditors on areas of compliance - but this is the first time there is an assurance standard on compliance engagements. ASAE 3100 provides an overarching compliance standard to which this guidance may be linked.

Practitioners will need to use this standard for reporting periods or engagements commencing on or after 1 October 2008. Early adoption is permitted.

Source: AUASB Meeting Highlights (9 September 2008).

GS 008 The Auditor's Report on a Remuneration Report Pursuant to Section 300A of the Corporations Act 2001

The AUASB issued Guidance Statement GS 008 *The Auditor's Report on a Remuneration Report Pursuant to Section 300A of the Corporations Act 2001*. The Guidance Statement provides guidance to auditors when expressing an opinion on whether the remuneration report, contained within the directors' report, complies with section 300A of the *Corporations Act 2001*.

The auditor's report will now have two distinct sections: the conventional section that includes the auditor's opinion on the financial report; and a new section, which contains the auditor's opinion on the remuneration disclosures in the directors' report.

This Guidance Statement replaces the guidance contained in Auditing Guidance Note 'Auditor's Report on AASB 124 Remuneration Disclosures contained in the Annual Directors' Report', issued in August 2006.

Source: AUASB Media Release (2 July 2008).

Exposure Drafts

As result of the IAASB Clarity project the AUASB is redrafting the Australian ASAs in line with the Clarity format. The new ASAs contain additional requirements along with a different format of presentation. Auditors are advised to familiarise themselves with the new format and requirements before the become operative.

Due to the tight timeframe to ensure international harmonisation, the exposure period for each group of EDs is limited to 30 days.

The following EDs required comment by 15 October 2008:

- ASA 230 *Audit Documentation*
- ASA 300 *Planning an Audit of a Financial Report*
- ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- ASA 560 *Subsequent Events*
- ASA 570 *Going Concern*
- ASA 600 *Special Considerations - Audits of a Group Financial Report (Including the Work of Component Auditors)*

Source: AUASB Media Release (31 July 2008 & 15 September 2008).

Australian Auditing and Assurance Standards Board (AUASB) Meetings

Meeting Summary – 9 September 2008

At its meeting the AUASB covered the following items:

- Approval of amendments to ASEA 3100
- Approval of exposure drafts for clarity redrafting of ASA 230, 300, 540, 560, 570 & 600
- Approval, subject to a number of changes, of Guidance Statement GS 009 Financial and Compliance Audits of Self-Managed Superannuation Funds.
- Approval of a project plan to revise *AGS 1008 Audit Implications of Prudential Reporting Requirements for Authorised Deposit Taking Institutions*
- Standard Business Reporting and XBRL
- International matters - The Board considered the proposed final drafts of the two Clarity standards which would be considered by the IAASB at its meeting in the following week. The Board also discussed at length the issues relating to its adoption of a clarity version of ISQC1 with ISA 220 (with effect from 1 January 2010), and noted that a working group of the Financial Reporting Council is to advise on the desirability of the AUASB issuing both standards.

Source: AUASB Meeting Highlights (9 September 2008).

Meeting Summary – 21-22 July 2008

At its meeting the AUASB covered the following items:

- Approval of New Standards

- ASAE 3500 'Performance Engagements' applicable for reporting periods or engagements commencing on or after 1 January 2009.
 - ASRE 2400 'Review of Financial Reports Performed by an Assurance Practitioner who is Not the Auditor of the Entity'
 - ASRE 2405 'Review of Other Historical Financial Information Other Than a Financial Report'
 - ASA 2008-1 'Amendments to Australian Auditing Standards (Amendments to ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity)'.
- Approval of Redrafted ASA (Clarity Format)
 - ASA 240 'The Auditor's Responsibilities relating to Fraud in an Audit of a Financial Report'
 - ASA 260 'Communicating with Those Charged with Governance'
 - ASA 315 'Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment'
 - ASA 330 'The Auditor's Procedures in Response to Assessed Risk'.
 - Proposed Guidance Statement – Self-Managed Superannuation Funds
 - GAAP / GFS AASB 1049 Audit Issues
 - ASIC Regulatory Guide 69 'Debentures – Improving Disclosure for Retail Investors'

Source: AUASB Meeting Highlights (21-22 July 2008).

Audit Manual for SMEs

The Institute of Chartered Accountants in Australia has released an Audit Manual designed to assist auditors, particularly those who deal with small-to medium-sized entities (SMEs), in applying the current Australian Auditing Standards. The Manual is based on the International Federation of Accountants (IFAC) Guide to using International Standards on Auditing in the audits of small-and medium-sized entities, issued by the IFAC small and medium practices committee.

An accompanying toolkit, complete with forms, checklists and programs necessary for conducting an audit, is also available for purchase to supplement the manual.

The Manual is available on the Institute website: <http://www.charteredaccountants.com.au>.

Source: Accounting & Assurance News Today (ANT) Issue 25 - 4 July 2008

ETHICS UPDATE

New and revised pronouncements

APES 210 'Conformity with Auditing and Assurance Standards'

APES 210 sets the standards for Members to comply with Auditing and Assurance Standards when they conduct Assurance Assignments or Assurance Engagements. It replaces *APES 410 Conformity with Auditing and Assurance Standards*.

The revised standard became operative on 30 September 2008

Source: APESB Media Release (26 September 2008) and APES 210

APES 315 'Compilation of Financial Information'

APES 315 clarifies the fundamental responsibilities of professional accountants who collect, classify and summarise financial information. New requirements include how to communicate significant

matters to those charged with governance and the procedure to follow when subsequent discovery of facts occurs.

The revised standard also reinforces the need for accountants to clearly document and communicate with the client the agreed scope of work to be conducted, as well as their professional obligations in performing such work.

APES 315 replaces the miscellaneous professional statement APS 9 and has been updated to reflect the requirements in APES 110 '*Code of Ethics for Professional Accountants*' and APES 305 '*Terms of Engagement*'.

APES 315 will be effective from 1 January 2009, with early adoption permitted.

Source: APESB Media Release (2 July 2008)

APES 225 Valuation Services

APES 225 was created in response to calls from the accounting profession for greater guidance on how to conduct and report on valuation services.

The new standard applies to members of the professional accounting bodies in Australia who perform an engagement or assignment that estimates the value of a business, business interest, security or intangible asset for numerous purposes, including sales transactions, financing, taxation, financial reporting, mergers and acquisitions, management and financial planning and litigation.

APES 225 specifies mandatory requirements in business and public practice in areas including independence, professional engagement requirements and minimum reporting requirements for a valuation report. It includes a range of scenarios that spell out exactly when accountants need to adhere to the standard

The new standard is effective from 1 January 2009, with early adoption permitted.

Source: APESB Media Release (3 July 2008).

Compiled APES 110 'Code of Ethics for Professional Accountants'

The APESB has released a compiled APES 110 '*Code of Ethics for Professional Accountants*' incorporating relevant amendments issued up to 15 February 2008. The compiled APES 110 incorporates the revised definition of network firms and changes to auditor independence requirements in line with the *Corporations Act 2001* amendments enacted in June 2007 by the Simpler Regulatory System legislation.

Source: GAAP Alert No. 12/2008 (15 July 2008).

Accounting Professional & Ethical Standards Board (APESB) Meetings

Meeting Summary – 11-12 August 2008

At its meeting the AUASB covered the following items:

- Re-exposing ED 02/08 *APES 345 Reporting on Prospective Financial Information*
- Support for the development of a pronouncement on the accountant's role in Due Diligence Committees
- Establishing a taskforce to oversee the development of *APES 350 Risk Management*
- Approval of a project plan to update *APES 320 Quality Control for Firms* in line with recent revisions to the International Standard on Quality Control (ISQC 1).
- Agreed to further re-draft ED 0X/08 *APES 330 Insolvency Services*

Source: APESB Meeting Highlights 12 August 2008

ASIC UPDATE

ASIC updates guidance on licensee obligations

Regulatory Guide 104 'Licensing: Meeting the general obligations' [RG 104] and Regulatory Guide 105 'Licensing: Organisational competence' [RG 105] are part of ASIC's Better Regulation initiatives, which are designed to achieve better and more transparent regulation.

RG 104 outlines what ASIC looks for when it assesses compliance with the general obligations. It sets out ASIC's general approach to the licensee obligations under s912A(1) and ASIC's policy on particular s912A(1) obligations relating to compliance, risk management, representatives and resources.

RG 105 outlines what ASIC looks for when considering the organisational competence obligation of AFS licensees under s912A(1)(e). It also consolidates ASIC's guidance on this obligation, which was previously spread across a number of publications, including Section E of RG 164, parts of [RG 130] and Responsible officers: Demonstrating compliance with organisational competency obligations—An ASIC guide (issued July 2003, withdrawn June 2007).

The regulatory guides aim to:

- communicate ASIC's policy on the general obligations of licensees and organisational competence using simpler language
- clarify some aspects of the policy in light of ASIC's regulatory experience
- consolidate and harmonise ASIC's policy on these obligations. RG 164 and RG 130 are now superseded

Source: Information Release (IR 07-45), 11 October 2007.

SEC and Australian authorities sign a mutual recognition agreement

The US Securities and Exchange Commission, the Australian Government and ASIC entered into a mutual recognition agreement which provides the framework for the SEC, Australian government and ASIC to consider regulatory exemptions that would enable US and eligible Australian stock exchanges and broker-dealers to operate in both jurisdictions without the need for these entities to be separately regulated in both countries.

Once implemented, exempt US and Australian stock exchanges and broker-dealers will be able to offer their services in both jurisdictions. Exempt US entities will only be able to offer services to Australian wholesale investors and financial firms without being subject to most AIC regulations.

Entities will need to apply for exemption. It is expected that consideration of initial applications for exemption will be concluded in early 2009.

Source: ASIC Media release (08-193), 26 August 2008.

ASIC outlines market turmoil response to financial service industry

ASIC outlined issues it will be focussing in response to concerns emerging from current market conditions. With regard to audit and accounting issues ASIC's accounting team will be focussing on:

- valuation accounting
- Correct treatment of off-balance sheet entities
- Correct classification of debt as current or long-term

Source: ASIC Media release (08-182), 7 August 2008.

ASIC updates guidance on no-action letters

ASIC issued an update of Regulatory Guide 108 '*No-action letters*' (RG 108). A no-action letter is an expression of ASIC's regulatory intent and indicates that, at the time the no-action letter is given, ASIC does not anticipate taking other regulatory action in relation to conduct regulated by the Corporations Act. RG 108 sets out ASIC's policy regarding when it will issue a no action letter.

The updated guide clarifies when ASIC will consider issuing a no-action letter and formalises ASIC's approach to taking class no-action positions. RG108 has not been comprehensively reviewed since its release in 1996.

Source: ASIC Information Release (IR 08-18), 9 July 2008.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB) - Amendments to Standards

Eligible Hedged Items (an amendment to IAS 39 Financial Instruments: Recognition and Measurement).

The amendment clarifies how the existing principles underlying hedge accounting should be applied in two particular situations. Responses to an exposure draft of proposed guidance (published in September 2007) indicated that diversity in practice existed, or was likely to exist, in the designation of:

- a one-sided risk in a hedged item, and
- inflation in a financial hedged item.

The IASB has therefore focused on developing application guidance to illustrate how the principles underlying hedge accounting should be applied in those situations.

Entities are required to apply the amendment retrospectively for annual periods beginning on or after **1 July 2009**, with earlier application permitted.

For further information on the amendment to IAS 39, please visit the **project Web pages** at www.iasb.org

Source: IASB News (31 July 2008)

International Accounting Standards Board (IASB) - Interpretations

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Constituents asked for clarification of three main issues. First, whether risk arises from the foreign currency exposure to the functional currencies of the foreign operation and the parent entity, or from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements.

Secondly, which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument.

Thirdly, how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

IFRIC 16 clarifies these issues, stating that:

- the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.

- the hedging instrument(s) may be held by any entity or entities within the group.
- while IAS 39 Financial Instruments: Recognition and Measurement must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item.

IFRIC 16 applies to an entity that hedges the foreign currency risk arising from its net investments in foreign operations and wishes to qualify for hedge accounting in accordance with IAS 39. It does not apply to other types of hedge accounting.

The Interpretation is effective for annual periods beginning on or after **1 October 2008** .

Source: IASB News (3 July 2008)

IFRIC 15 Agreements for the Construction of Real Estate

The Interpretation will standardise accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan', ie before construction is complete.

The Interpretation provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and when revenue from the construction should be recognised.

The main expected change in practice is a shift for some entities from recognising revenue using the percentage of completion method (ie as construction progresses, by reference to the stage of completion of the development) to recognising revenue at a single time (ie at completion upon or after delivery).

The interpretation is effective for annual periods beginning on or after **1 January 2009** and is to be applied retrospectively.

Source: IASB News (3 July 2008)

International Accounting Standards Board - Notices & Reports

IASB and FASB updates their 2006 Memoranda of Understanding

The IASB and the US Financial Accounting Standards Board (FASB) have published an update of their 2006 Memorandum of Understanding (MoU). The update outlines a plan and projected time line for completing the remaining joint major projects included in the MoU.

The updated MOU identifies 9 major joint projects for improvement in IFRSs and US GAAP, including:

- Financial Instruments
- Financial Statement Presentation
- Leases
- Liabilities and Equity distinctions
- Revenue recognition
- Consolidations
- Derecognition
- Fair value measurement
- Post employment benefits

Source Accounting & Assurance News Today (ANT) issue 35 (12 September 2008)

IASB publishes XBRL Taxonomy

The International Accounting Standards Committee (IASC) Foundation has announced the release of the IFRS Taxonomy 2008.

The IFRS Taxonomy 2008 is a complete translation of International Financial Reporting Standards (IFRSs) as published in the IFRS Bound Volume 2008 into XBRL, an eXtensible Markup Language (XML) that is used to communicate information between businesses. The taxonomy is published in the same languages as the IFRS Bound Volume 2008 and includes support material such as the Taxonomy Architecture Paper and the Taxonomy Extenders Guide.

In accordance with the XBRL International policy the IFRS Taxonomy 2008 is freely available on the [IFRS XBRL website](#).

Source: Accounting & Assurance News Today (ANT) Issue 26 (11 July 2008)

ISAC Foundation publishes XBRL Taxonomy Guide

The IASC Foundation has released the *IFRS Taxonomy Guide 1.00 - All you need to know about the IFRS Taxonomy as a preparer, supervisor, software developer*.

This guide address both the accounting and technological aspects of the IFRS Taxonomy and aims to assist in its implementation, application and further application.

The *IFRS Taxonomy Guide* is available for download from the IFRS Taxonomy support materials [website](#).

Source: Accounting & Assurance News Today (ANT) Issue 34 (5 September 2008)

IASB and IFRIC Meetings

The table below note the topics discussed at the Board meeting of the IASB and IFRIC. For further information follow the links provided.

| <i>IASB Meeting Summaries</i> | <i>IFRIC Meeting Summaries</i> |
|---|--|
| 21-25 July 2008 Meeting | 10-11 July 2008 Meeting |
| Topics discussed: Agenda proposals Amendments to IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> Consolidation Fair value measurement Financial instruments with characteristics of equity Financial Statement Presentation IFRS for private entities (formerly small and medium-sized entities, or SMEs) Income taxes Leases Management commentary Revenue recognition Standards Advisory Council report Update on IFRIC activities Valuing financial instruments in markets that are no longer active For further information see the IASB Update for July. | Topics discussed: IFRIC D23 <i>Distributions of Non-cash Assets to Owners</i> IFRIC D24 <i>Customer Contributions</i> <i>Group Cash-settled Share-based Payment Transactions</i> (Proposed amendments to IFRS 2 <i>Share-based Payment</i> and IFRIC 11 <i>IFRS 2—Group and Treasury Share Transactions</i>) Compliance costs for REACH Agenda decision Tentative agenda decisions Work in progress For further information see the IFRIC Update for July |

| <i>15-19 September 2008 Meeting</i> | 4-5 September 2008 |
|---|--|
| <p>Topics discussed:</p> <ul style="list-style-type: none"> Credit Crisis Annual Improvements Extractive activities Fair value measurement Financial instruments with characteristics of equity First-time Adoption of IFRSs IFRS for private entities (formerly small and medium-sized entities, or SMEs) Insurance contracts Related Party Disclosures Revenue recognition Share-based Payment Update on IFRIC activities <p>For further information see the IASB Update for September.</p> | <p>Topics discussed:</p> <ul style="list-style-type: none"> IFRIC D23 <i>Distributions of Non-cash Assets to Owners</i> IFRIC D24 <i>Customer Contributions</i> Customer-related intangible assets Regulatory assets and liabilities Agenda decisions Tentative agenda decisions Work in progress <p>For further information see the IFRIC Update for September</p> |

International Federation of Accountants (IFAC) - General

IAASB Announces its Strategy and Work Program, 2009-11

The three-year strategy includes an emphasis on the development of standards that contribute to the effective operation of the world's capital markets and standards that address the needs of small and medium sized practices.

Click [here](#) to view a copy of the Strategy and Work Program.

Source: IFAC News (14 July 2008)

Business Reporting Project (initiated July 2008 and ongoing)

The International Federation of Accountants (IFAC) has commenced a follow-up project on financial reporting that will compare the findings of their recently-published report, 'Financial Reporting Supply Chain: Current Perspectives and Directions'. The aim is to help advance the recommendations in the March 2008 report.

Phase one of the project is currently underway. IFAC member bodies and associates are comparing the issues and recommendations of the March 2008 report with the current developments in their respective countries. The results of this new survey will help IFAC offer specific proposals on which the various participants in the financial reporting supply chain may take action.

Source: Accounting & Assurance News Today (ANT) issue 30 (8 August 2008) and www.ifac.org/frsc/

International Auditing and Assurance Standards Board (IAASB)

Audit Practice Alert - Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment

To assist auditors in addressing the challenges of auditing fair value accounting estimates the IAASB has released this audit practice alert. The purpose of the alert is to highlight areas within the IASs that are particularly relevant in the audit of fair value accounting estimates in times of market uncertainty.

The alert also directs auditors to the recently revised ISA 540 (Revised And Redrafted), which will replace both IAS 540 and 545. While the new standard is not effective until audit periods beginning on or after 15 December 2009, the standard contains guidance that is likely to be useful to planning 2008 audits, as the standard was influenced by the changes in the credit markets during 2007.

Click [here](#) to view the practice alert.

Source: IFAC News (6 October 2008)

Eleven Revised ISAs resulting from the Clarity Project

The IAASB has revised and released the following ISAs:

- ISA 200 (Revised and Redrafted), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*
- ISA 250 (Redrafted), *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA 320 (Revised and Redrafted), *Materiality in Planning and Performing an Audit*
- ISA 450 (Revised and Redrafted), *Evaluation of Misstatements Identified during the Audit*
- ISA 510 (Redrafted), *Initial Audit Engagements-Opening Balances*
- ISA 530 (Redrafted), *Audit Sampling*
- ISA 550 (Revised and Redrafted), *Related Parties*
- ISA 570 (Redrafted), *Going Concern*
- ISA 610 (Redrafted), *Using the Work of Internal Audit*
- ISA 705 (Revised and Redrafted), *Modifications to the Opinion in the Independent Auditor's Report*
- ISA 706 (Revised and Redrafted), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

The ISAs are in the new style following the conventions developed in the IAASBs project to improve the clarity, and therefore the application, of its standards. Some of the standards have been substantively revised, while others have been redrafted to apply the new conventions.

All clarified ISAs become effective for audits beginning on or after 15 December 2009. The ISAs can be downloaded free of charge from www.ifac.org/store

Source: IFAC News (2 October 2008 & 14 July 2008)

International exposure drafts and invitations to comment

IASB

IASB ED - Additional Exemption for First-Time Adopters (proposed amendments to IFRS 1)

The exposure draft proposes:

- To exempt companies from retrospective application of IFRSs for oil and gas assets using the full cost method and for operations subject to rate regulation.
- To exempt companies with existing leasing contracts accounted for in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease from reassessing the classification of those contracts according to IFRSs when the same classification has previously been made in accordance with national GAAP.

The ED is open for comment until 23 January and can be downloaded from the current projects section on the IASB website: www.iasb.org

Source: IASB News (25 September 2008)

IASB ED - Discontinued Operations (proposed amendments to IFRS 5)

The exposure draft proposes to revise the definition of discontinued operations and require additional disclosure about components of an entity that have been disposed of or are classified as held for sale.

The revised definition proposes to reflect the definition of operating segments in *IFRS 8 Operating Segments*. The proposal would increase consistency between IFRSs and strengthen the basic principle in IFRS 5.

The ED is open for comment until 23 January 2009 and can be downloaded from the current projects section on the IASB website: www.iasb.org

Source: IASB News (25 September 2008)

IASB ED - Annual Improvements to IFRS (August 2008)

The proposed amendments reflect issues discussed by the IASB in the project cycle that began last year. The proposals range from guidance added to the Appendix of IAS 18 Revenue, on how to determine whether an entity is acting as a principal or as an agent, to changes of wording to clarify the meaning and remove unintended inconsistencies between IFRSs

The exposure draft is open for comment until 7 November 2008 and can be downloaded from the current projects section on the IASB website: www.iasb.org

Source: IASB News (7 August 2008)

IASB ED - Simplifying Earnings per Share (proposed amendments to IAS 33)

The ED proposes to simplify the calculation of earnings per share (EPS) and to eliminate differences between the methods required by International Financial Reporting Standards (IFRSs) and US accounting standards to calculate EPS. The proposals are part of the short-term convergence project that the IASB is conducting jointly with the US Financial Accounting Standards Board (FASB). Consequently the FASB has also published an exposure draft to amend SFAS 128 *Earnings per Share*.

In particular, the proposals aim to achieve convergence by:

- providing a clear principle to determine which shares and other instruments should be included in the EPS calculation;
- clarifying the EPS calculation for particular instruments, such as contracts to sell or repurchase an entity's own shares and participating instruments; and
- simplifying the EPS calculation for instruments that are accounted for at fair value through profit or loss.

The exposure draft is open for comment until 5 December 2008 and can be downloaded from the current projects section on the IASB website: www.iasb.org

Source: IASB Press Release (7 August 2008)

IPSASB

IPSASB Consultation Paper - Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities

This consultation paper is the first in a series of papers focused on the development of an international public sector conceptual framework. It identifies IPSASBs preliminary views on the objectives, and scope of financial reporting, the qualitative characteristics of information included in general purpose financial reports and the characteristics of public sector reporting entities.

Click [here](#) to download a copy of the exposure draft. Comments are due by 31 March 2009

Source: IFAC news (30 September 2008)

ED 35 IPSAS 5 Borrowing Costs

ED 35 proposes amendments to IPSAS 5 to reflect the belief that in many circumstances the capitalisation of borrowing costs is not appropriate for public sector entities. This is a departure from both the current IPSAS 5 and IAS 23 *Borrowing Costs*. The ED proposes borrowing costs be expensed in the period which they are incurred.

The ED also proposes an option for capitalisation of borrowing costs for qualifying assets.

Click [here](#) to download a copy of the exposure draft. Comments are due by 7 January 2009.

Source: IFAC news (3 September 2008)

IESBA

ED - Code of Ethics for Accountants

The ED proposes changes that focus on enhancing the clarity of the Code. The proposed changes make clear the specific requirements that are contained in the Code and refine the application of the Code's conceptual framework.

Click [here](#) to download a copy of the exposure draft.

Source: IFAC news (15 July 2008)

IAASB

Consultation Paper - Matters to consider in a revision of International Standard on Review Engagements (ISRE) 2400, Engagements to Review Financial Statements

The IAASB is reviewing ISRE 2400 as part of its agenda to develop a relevant and cost-effective assurance service that is an alternative to an audit of small and medium sized entities. The paper focuses on a number of significant matters relevant to a revision of ISRE 2400, including the nature and extent of work a practitioner should perform in an engagement to review financial statements, and how the level of assurance should be communicated to the users.

Click [here](#) to download a copy of the consultation paper. Comments are due 15 December 2008.

Source: IFAC news (29 September 2008)

LEGISLATIVE UPDATE

Governance changes to AASB and AUASB

Following the passage of the Governance Review Implementation (AASB and AUASB) Bill 2008, the AASB and AUASB have now been brought within the scope of the *Financial Management and Accountability Act 1997*, which governs non-commercial boards.

They are now directly accountable to Parliament, a move that frees up the Financial Reporting Council to concentrate on the strategic direction of the Boards rather than having to concern itself with administrative and financial issues. The changes should not have a significant effect on the operation of the Boards from the accounting community's point of view.

Source: Accounting & Assurance News Today (ANT) Issue 26 - 11 July 2008

State Revenue Legislation Amendment (Budget) Bill 2008 - Act no 48 of 2008

The objects of this Bill are:

- To amend the *Duties Act 1997*
- To amend the *First Home Owner Grant Act 2000*
- To amend the *Health Insurance Levies Act 1982* for statute law revision purposes
- To amend the *Land Tax Management Act 1956*
- To amend the *Payroll Tax Act 2007*
- To amend the *Unclaimed Money Act 1995* as a consequence of changes to Commonwealth law dealing with unclaimed superannuation benefits and for statute law revision purposes to repeal the *Debts Tax Act 1990* (as the tax under that Act has been abolished),
- To repeal the *Stamp Duties Act 1920* (which was replaced by the *Duties Act 1997*) and to make provision for the final determination of duty payable in respect of leases that are chargeable with duty under that Act,
- To repeal the Taxation Administration Regulation 2003 and transfer the remaining provisions of that regulation to the *Taxation Administration Act 1996*

For more detail please refer to the [parliamentary website](#)

Source: GG 4 July 2008, page 6526 and www.parliament.nsw.gov.au

Charitable Fundraising Regulation 2008

This Charitable Fundraising Regulation 2008 replaces the 2003 regulation of the same name. The new regulation includes changes to:

- the contents required in the financial report of an authorised fundraiser
- the threshold that determines which organisations must make additional note disclosures. The threshold has increased from \$20,000 to \$100,000 (aggregate gross income obtained from any fundraising appeals).
- the standard conditions that apply to an authority and provides for an exemption from the requirement for a face-to-face collector to wear an identification card or badge in certain circumstances where the collector is at a fundraising event or function.

Source: GG 22 August 2008, page 7688 & the regulation

Allocation of the Administration of Acts (2008-410)

The amended schedule is in the Government Gazette, no 115, issued 12 September 2008, pages 9202-9222

Source: GG 12 September, pages 9202-9222

Annual Reports Amendment (Action Plan for Women) Regulation 2008

Both the Annual Reports (Departments) Amendment (Action Plan for Women) Regulation 2008 and the Annual Reports (Statutory Bodies) Amendment (Action Plan for Women) Regulation 2008 have been issued to remove a redundant reporting requirement relating to the Government Action Plan for Women, as the plan expired in 2005.

Source: GG 12 September 2008, pages 9227-9230

Appropriation Act 2008

The object of this Act is to appropriate various sums of money required for the recurrent services and capital works and services of the Government during the 2008-2009 financial year.

The Act for the 2008-2009 year contains an additional appropriation, which allocates revenue raised in connection with changes to gaming machine taxes to the Minister for Health for spending on health related services.

The Act also makes additional appropriations from the Consolidated Fund for recurrent services and capital works and services for the 2007-2008 and 2006-2007 years for the purpose of giving effect to certain Budget variations required by the exigencies of Government.

GG 4 July 2008, page 6526 & www.parliament.nsw.gov.au

MISCELLANEOUS PUBLICATIONS

Discussion Paper - how to report underlying earnings

The Financial Services Institute of Australasia (Finsia) and the Australian Institute of Company Directors (AICD) have released a discussion paper titled 'Underlying Profit', which encourages listed companies to adopt a more consistent and transparent approach when reporting profits to the investment community in a non-statutory manner.

The report comes in response to research indicating that the use of non-statutory measures of income (e.g. 'underlying profit') is becoming more widespread. The paper offers guidance to companies so as to alleviate some of the burden associated with non-standard company reporting of 'underlying' or 'normalised' profits.

Any party with an interest in profit reporting is strongly encouraged to participate in the discussion. Comments and feedback on the draft principles, possible adjustments and an illustrative example are to be submitted by Friday, 31 October 2008.

Source: Accounting & Assurance News Today (ANT) Issue 35 (12 September 2008)

The Accountant's role in mid-sized enterprises

The International Federation of Accountants (IFAC) has issued a publication which canvasses the important roles professional accountants play in mid-sized enterprises, entitled '*The Crucial Role of Professional Accountants in Business in Mid sized enterprises*'. The paper also examines how accountants look for different opportunities to enhance their skills outside the traditional boundaries of the finance and accounting department. For a more detailed summary visit the [Institute website](#). To access the entire report see the [IFAC website](#).

Source: Accounting & Assurance News Today (ANT) Issue 26 - 11 July 2008

Government Green Paper on Emissions

Officially known as the Carbon Pollution Reduction Scheme, the green paper, was announced by the federal government on 16 July 2008. It outlines the proposed design guidelines and framework for the cap and trade scheme, which is intended to commence in 2010. The scheme is expected to cover approximately 1,000 companies, with emissions exceeding 25,000 tonnes of carbon dioxide equivalents (CO₂-e) per annum. The industries are stationary energy (ie. electricity generation), transport, fugitive emissions (oil & gas extraction & processing), industrial processes and waste. Forestry would be on an opt-in basis and agriculture is to be included in 2015 at the earliest. Chapter 11 of the paper deals with the tax and accounting issues of the scheme. A copy of the Green Paper can be downloaded from [here](#).

Source: Accounting & Assurance News Today (ANT) Issue 27 (18 July 2008)

Greenhouse reporting starts on 1 July 2008

From Tuesday 1 July 2008, businesses emitting large amounts of greenhouse gases will be required to monitor and measure the emissions ahead of reporting them to the Government by October next year as part of Australia's new National Greenhouse and Energy Reporting System. The Department of Climate Change has developed an online calculator for business to use to assess whether they are caught by the new laws

For more information see the department website <http://www.greenhouse.gov.au/>

Source: Accounting & Assurance News Today (ANT) Issue 24 - 27 June 2008

Greenhouse results for 2006 released

The Minister for Climate Change and Water, Senator Penny Wong has released Australia's greenhouse emission results for 2006 and a preliminary result for 2007. The reports are now available from the Department of Climate Change website.

Source: Accounting & Assurance News Today (ANT) Issue 24 - 27 June 2008

Hot Spot: Fair Value Disclosures - Is There an Active Market?

Financial statement preparers should be on alert for a range of issues associated with fair value accounting in current financial statements. One of these is the specific basis of measurement. The accounting standards incorporate a notion of a hierarchy of sources of fair value. In the absence of an arms-length offer to acquire an owned asset at balance date, substitutes including a price quoted from an active market, or evidence of a recent sale of the same or a similar asset are to be used.

The specific source of fair value used for any given class of asset or liability is to be disclosed in the financial statements. Some entities that determined fair value by reference to market activity last year will not be able to do so this year. In such cases, preparers should take care to update their basis of valuation disclosures.

This experience of market volatility may prompt some preparers to be more cautious in their disclosure of valuation basis in future. Stating that the fair value is determined by reference to observable similar transactions can incorporate references to an active market, but does not require change in periods when such transactions do not exist.

Source: GAAP Alert 12/2008 July 15th. David Sauer, Chartered Accountant, Member of GAAP Consulting Network

Good Practice Guide for Audit Committees

A user-friendly reference that sets out the responsibilities of audit committees and outlines practical strategies for overseeing company functions has been released by the Australian Institute of Company Directors (AICD), the Auditing and Assurance Standards Board (AUASB) and the Institute of Internal Auditors - Australia (IIA - Australia).

The guide incorporates all relevant regulatory developments from 2001 affecting audit committees. It was developed to help audit committee members, risk and compliance managers and internal and external auditors to work together to achieve maximum value for the company and its shareholders.

Copies of the guide can be purchased electronically from the IIAA and AICD websites.

The Australian Prudential Regulation Authority (APRA)

APRA has released a revised version of the Independent Auditor's Report on the financial statements and compliance for a reporting entity contained in approved form titled '*Superannuation Industry (Supervision) Act 1993 (SIS Act) Section 35C - Approved Form*'.

The new report applies to reporting periods commencing on or after 1 July 2007 (i.e. 30 June 2008 year ends) and replaces the previous Independent Auditor's Report which was applicable to reporting periods commencing on or after 1 July 2006.

This form is now available on the [APRA website](#).

Source: [Forms for Superannuation Entities](#)

ACT Auditor-General's Office

- Records Management in ACT Government Agencies
- Maintenance of Public Housing
- Administration of the Freedom of Information Act 1989

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

Australian National Audit Office

- Regulation of Commercial Broadcasting
- Employment and Management of Locally Engaged Staff
- Establishment and Management of the Communications Fund
- The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink
- Establishment and Management of the Communications Fund
- The Senate Order for Departmental and Agency Contracts (Calendar Year 2007 Compliance)
- Illegal, Unreported and Unregulated Fishing in the Southern Ocean
- Developing and Managing Internal Budgets
- Accountability for the 21st Century - the powers and responsibilities of Commonwealth Auditors-General
- IAASB-IFAC International Auditing Standards Setting Activities
- Public Sector Governance Forum - Public Sector Governance-showing the way

These publications are available at www.anao.gov.au.

Queensland Audit Office

- Report No. 4 for 2008: Results of Audits at 31 May 2008
- Report No. 5 for 2008: Protecting Queensland's Primary Industries and Environment from Pests and Disease
- Report No. 6 for 2008: Follow-up audit of Workforce Planning at Departments of Education, Training and the Arts and Health, incorporating their responses to an ageing workforce

These publications are available at www.qao.qld.gov.au.

Tasmanian Audit Office

- Special Report No. 75 - Executive termination payments - September 2008

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

Victorian Auditor-General's Office

- Performance Reporting by Public Financial Corporations
- Maintaining the State's Regional Arterial Road Network
- The New Royal Women's Hospital-a public private partnership
- Coordinating Services and Initiatives for Aboriginal People
- Managing Complaints against Ticket Inspectors
- Records Management Checklist: A tool to improve records management
- Investing Smarter in Public Sector ICT

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

Independent Commission Against Corruption

- Investigation into bribery and fraud at RailCorp - Reports 1 to 6

This publication is available at www.icac.nsw.gov.au

PREMIER'S DEPARTMENT UPDATE

Premier's Department Circulars

The following is a list of recent Premier's Department Circulars which are available at: www.dpc.nsw.gov.au

C2008-24 Changes to Salary Packaging of Work-Related Items

The 2008-2009 Federal Budget announced changes to fringe benefits tax (FBT) exemptions on certain work-related items. As a result of these changes, all work-related items that are offered to both the senior executive service (SES) and non-SES employees can now only be salary packaged if primarily used for business purposes. This covers laptops, personal digital assistants (PDAs) and briefcases. This is consistent with the existing rules applying to mobile phones.

Further information concerning salary packaging arrangements is provided in Circular 2007-11 *Salary Packaging Arrangements for Non-SES Employees*.

C2008-25 Senior Executive Service - Notional Salary

The calculation of notional salary for the Senior Executive Service (SES) has been updated. Notional salary determines payments for accrued leave to SES officers on separation, non-SES acting in SES positions and for cashing out leave to SES officers.

Notional salary is the total remuneration package less the employer's required superannuation contribution under the *Superannuation Guarantee (Administration) Act 1992* (Cth).

Superannuation Guarantee legislation requires quarterly employer contributions of at least 9% of ordinary time earnings, up to the maximum contribution base (MCB).

The Australian Taxation Office (ATO) has determined the MCB to be \$38,180 per quarter (\$152,720 per annum) from 1 July 2008. *C2008-27 Increase in Parking Space Levy*

New charges for the motor vehicle parking space levy apply from 1 July 2008. The levy was introduced in 1992 to discourage car use and decrease congestion and pollution in Sydney's prime business districts. Areas include the business districts of Sydney, North Sydney and Milsons Point (category 1 areas); and Bondi Junction, Chatswood, Parramatta and St Leonards (category 2 areas).

The levy now applying to Category 1 areas is \$950 pa per space and \$470 pa per space in Category 2 areas. The levy is exempt from GST and is adjusted annually to reflect movements in the Consumer Price Index.

C2008-28 Review Of Meal, Travelling And Related Allowances

The purpose of this Circular is to advise agencies that the Meal, Travelling and Related Allowances contained in [Table 1 Allowances of Part B Monetary Rates of the Crown Employees \(Public Service Conditions of Employment\) Reviewed Award 2006](#) have been increased, effective from 1 July 2008.

C2008-29 Amendments to Public Sector Employment and Management Act and Regulation

The *Public Sector Employment and Management Act 2002* and *Public Sector Employment and Management Regulation 1996* have been amended to provide Departments and other public sector agencies with greater recruitment flexibility. Key amendments include:

- *Advertising job vacancies on the Government recruitment website (Act, s.18 - applies to Departments)*
- *Use of eligibility lists extended (Act, s.20 - applies to Departments)*
- *Publication of public service appointments clarified (Act, s.21 - applies to Departments)*
- *Conversion of long-term temporary to permanent employment more flexible (Act, s.31 - applies to Departments)*
- *Conversion of long-term secondments to permanent appointments more flexible (Act, s.86 - applies to all public sector agencies)*
- *Selection Committees reduced (Regulations, cl. 9 - applies to Departments)*

See C2008-29 for more details.

C2008-30 Classes of Air Travel Within Australia

The purpose of this Circular is to remind Chief Executive Officers of the current policy on air travel within Australia as detailed in [Circular 2005-03 Official Travel within Australia and Overseas](#).

Economy class travel should be used for all official travel in Australia. There are three exceptions to this policy.

Please see C2008-30 for further details regarding exceptions.

Premier's Memoranda

The following is a list of recent Premier's Department Memoranda which are available at: www.dpc.nsw.gov.au

M2008-11 Legislative Program Spring Sittings 2008

The deadlines for the receipt of Cabinet Minutes and introduction of Bills for the 2008 Spring Sittings of Parliament are as follows:

- Cabinet Minutes for all the major legislative proposals for the session are to be provided to the Department of Premier and Cabinet by Friday, 22 August 2008 at the latest.
- All Bills must be approved by Cabinet or the Cabinet Standing Committee on Legislation no later than the week commencing Monday, 10 November 2008 for introduction into the Parliament.

M2008-15 NSW Government Advertising Guidelines

This Memorandum introduces updated guidelines to reflect current government advertising policy, and to implement the recommendations of the Auditor-General following the Performance Audit of Government Advertising in 2007.

The guidelines update and improve existing Government advertising policy by:

- Introducing detailed criteria to ensure that publicly-funded advertising does not inappropriately serve party political interests;
- Advising agencies to consider including an audit of compliance with the guidelines as part of their internal audit processes;
- Requiring agencies to publish the cost of, and information about, completed advertising activities on their websites;
- Requiring the Department of Commerce to publish the total advertising media expenditure (indicating campaign and non-campaign spend) in its annual report;
- Clarifying the criteria by which public awareness campaigns may be approved under delegation by the Minister; and
- Confirming that a two-month quarantine period applies before State elections, subject to certain exceptions.

Other Premiers Memoranda

- M2008-12 World Youth Day 2008
- M2008-13 Christmas Closedown 2008-09
- M2008-14 National Walk to Work Day
- M2008-16 Merchant Navy Day

TREASURY UPDATE

Treasury Policy Papers

The following is a list of recent Treasury Policy Papers which are available at: <http://www.treasury.nsw.gov.au/tppdex>

TPP 08-4 Accounting Policy: Financial Reporting Code for Budget Dependent General Government Sector Agencies

The *Financial Reporting Code for Budget Dependent General Government Sector Agencies* sets out the financial reporting framework for Budget Dependent agencies. It outlines the form and content of the financial report, including the note disclosures.

The Code incorporates the requirements of Australian Accounting Standard 29 *Financial Reporting by Government Departments*, as well as other additional disclosure requirements for NSW budget dependent general government sector agencies.

The Code prescribes a fixed format for the financial statements and the accompanying notes. Extensive commentary is provided to assist in the preparation of the financial report. The commentary material (which is boxed) is non-mandatory and is intended to be used only as a guide.

TPP08-3 Accounting Policy: Contributions by Owners Made to Wholly-Owned Public Sector Entities

The purpose of this policy is to achieve a consistent approach to accounting for contributions by owners across the NSW Public Sector by:

- Designating certain transfers as “contributions by owners” and
- Outlining the accounting / financial reporting, annual reporting and budgeting requirements.

Treasury Circulars

The following is a list of recent Treasury Policy Papers which are available at: <http://www.treasury.nsw.gov.au/nswtcir>

TC 08/08 Changes to Annual Reporting Requirements

This circular discusses new annual reporting requirements for agencies arising from annual report regulation amendments which implement Internal Government Red Tape Review recommendations (see Premier’s Department Circular C2007-26). The new arrangements do not reduce agency responsibilities to apply policies and procedures on these particular issues.

TC 08/09 Public Authorities (Financial Arrangements) Act 1987 - Statutory Guarantee of Performance

This Circular reiterates the requirements of the PAFA Act 1987 regarding Statutory Guarantees and reminds agencies to consult Treasury early during negotiations in which a private sector party has sought a government guarantee of an agency’s obligations under the PAFA Act.

TC 08/10 Annual Reporting Update

This Circular discusses NSW Treasury’s review of 2006-07 annual reports and annual reporting requirements for 2007-08. It provides guidance and suggestions to improve the preparation of 2007-08 annual reports. The circular contains links to a number of examples of good reporting.

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 |
|--|--|
| Monitoring and Reporting on Audit Recommendations | March 2008 |
| Implementing Successful Amalgamations | 5 March 2008 |
| Fraud Control Improvement Kit - Meeting your Fraud Control Obligations | 20 July 2006 |
| Fraud Control: Current Progress and Future Directions | 9 February 2005 |
| Shared Corporate Services: Realising the Benefits | 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

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|--------------|---|
| AAS | Australian Accounting Standards |
| AASB | Australian Accounting Standards Board |
| AIFRS/AEIFRS | Australian Equivalents to International Financial Reporting Standards |
| APRA | Australian Prudential Regulation Authority |
| ASA | Australian Auditing Standard |
| ASEA | Australian Standard on Assurance Engagements |
| ASIC | Australian Securities and Investments Commission |
| ASRE | Australian Standard on Review Engagements |
| 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 and assurance standards, guidance statements, other guidance and exposure drafts are available direct from the AUASB as follows:

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

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 Board (IASB) publications may be obtained direct from the IASB, 30 Cannon Street, London EC4M 6XH, United Kingdom (tel +44 (020) 7332-2730 or fax +44 (020) 7332-2749 or email publications@iasb.org or Internet www.iasb.org).

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.legislation.nsw.gov.au.

Treasury publications 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 www.dpc.nsw.gov.au.

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