

AWARENESS

Accounting and Auditing Developments . ISSUE 6 - OCTOBER 2008

AUDIT OFFICE UPDATE

This report includes:

- the audit opinion on the Total State Sector Accounts
- analysis of financial trends
- the audit opinion on the Statement of the Budget Result Report
- comments on budget initiatives included in the 2007-08 Budget Summary
- comments on the State Plan (non-financial reporting)
- comments on the *Fiscal Responsibility Act, 2005*
- comments on risks to financial assets and liabilities
- comments on appropriation payments and supplementary funding made during 2007-08
- discussion of future Whole of Government and General Government Sector (GGS) reporting.

Total State Sector Accounts

The audit of the Total State Sector Accounts for the year ended 30 June 2008 resulted in a qualified Independent Auditor's Report.

The Report was qualified because we were unable to obtain all information required to form an opinion on the value of Crown Reserves that should be recorded as land (the report was similarly qualified last year). The total value of the land reserves controlled, but not currently recognised in the Total State Sector Accounts, is estimated at between \$1.0 billion and \$7.0 billion, but may be greater. The Treasury advises that the valuation exercise is expected to be completed by mid 2010.

In August 2008, Standard and Poor's revised the State's credit outlook from AAA/stable to AAA/negative, reflecting the likelihood that the planned privatisation of the State owned energy generator assets and retailing businesses would not proceed. Moody's Investor Services announced in September 2008 that it affirmed the State's AAA rating with a stable outlook.

Statement of the Budget Result Report

The Independent Auditor's Report of the Statement of the Budget Result Report for the year ended 30 June 2008 was not qualified. However, we drew attention to significant uncertainty regarding an objection to a taxation assessment of \$424 million recorded as revenue in 2006-07. This amount has increased by a further \$37.0 million during 2007-08 due to interest associated with the original assessment.

The matter is subject to appeal in the Supreme Court and is currently in the legal discovery phase. The Chief Commissioner of State Revenue does not believe there are grounds for impairing the receivable at this time. Until this matter is resolved, the ultimate outcome and its impact on the Budget Result cannot be determined.

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**THE AUDIT OFFICE
OF NEW SOUTH WALES**

Expenditure on Significant Budget Initiatives (from Budget Summary)

Generally, expenditure incurred and achievement of deliverables has been in line with planned expectations.

The State Plan (non-financial reporting)

This year we performed certain agreed upon procedures to verify the accuracy of performance data included in the State Plan Annual Report. We will report our findings after the Government releases the Annual Report.

Risks to Financial Assets and Liabilities

Over the past 12 months there has been considerable volatility in domestic and international financial markets.

The impact on the State's finances has been to:

- significantly reduce investment income
- reduce the value of the State's financial assets, particularly those backing superannuation and insurance liabilities.

We are not aware of any significant losses from direct exposures to investments in failed or troubled international and domestic financial institutions.

The full report is available on the Audit Office's website (www.audit.nsw.gov.au).

Auditor-General's Report to Parliament: Financial Audits Volume Four

This volume summarises the results of a number of our financial audits. Significant items include:

Department of Education and Training

Although expenditure per primary student in New South Wales has increased, it has fallen below the national average and is the second lowest in the country.

The Department estimates the backlog of school maintenance has fallen from \$82.6 million in 2007 to \$50.8 million in 2008.

Electricity Industry Overview

Restructure of Electricity Industry

Government has announced its intention to withdraw from the electricity retail market and sell power station development sites.

Carbon Pollution Reduction Scheme (CPRS)

All electricity corporations in the New South Wales Public Sector will be affected by the CPRS. We recommend that governing boards of electricity corporations implement an appropriate framework to address the governance implications of the CPRS when finalised. Boards should ensure they have the right strategies and processes to monitor their corporation's overall response and performance in addressing climate change risks and opportunities.

Electricity Prices

The average spot price for 2007-08 in New South Wales was \$41.66 per megawatt hour (MWh), a fall of 29 per cent from the 2006-07 average of \$58.72 per MWh.

Supply and Demand Outlook

Projected electricity demand in New South Wales is currently expected to exceed supply in 2013-14.

Distribution to Government

Electricity entities accrued distributions to the Government were \$1.4 billion (\$1.4 billion in 2006-07). Total external debt of all electricity agencies increased from \$10.7 billion to \$12.1 billion.

Rail Services Overview

The rail industry has a shortage of signal engineers who are qualified to test and commission new infrastructure assets. This shortage has led to delays in completing projects and increased project costs.

Rail employees with 25 years service who accept voluntary redundancy receive double the standard New South Wales Public Sector redundancy entitlement.

Rail Corporation New South Wales

There has been to an increase of 5.2 per cent in CityRail passenger journeys.

Crowding on trains is increasing and this trend is expected to continue. This is a major cause of customer dissatisfaction.

The ICAC's Operation Monto identified contracts totalling approximately \$19.0 million awarded inappropriately with RailCorp employees and their associates receiving direct benefits of approximately \$4.0 million.

On average, 23 per cent of all CityRail Fleet carriages failed every month in 2007-08.

All rail fleet carriage acquisition and replacement projects are running late or behind schedule.

RailCorp's passenger revenue covers approximately 22 per cent of the cost of services provided.

Transport Infrastructure Development Corporation

Construction of the Lidcombe and Homebush Turnbacks were completed in April 2008 as originally planned. The original planned commissioning dates of June 2008 have now been deferred to 2010 pending signal commissioning resources being available.

A lack of rail industry resources has delayed commissioning of some Clearways projects by up to two to four years, and increased the total forecast cost of the Clearways program by \$650 million to \$2.2 billion (excluding borrowing and RailCorp costs).

New South Wales Treasury Corporation

TCorp has not invested in Collateralised Debt Obligations (CDO's) and has not suffered any loss from exposure to financial institutions in default, such as Lehman Brothers.

Further information

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

Audit Office of New South Wales 2007 Annual Report

The Annual Report provides an appraisal of the Audit Office of New South Wales' performance for 2007-08. It includes extensive comment on whether agencies have accepted and acted on our audit recommendations - a good measure of how successful we have been. Also reported is how satisfied Parliamentarians and our audit clients are with our services and the efficiency of our processes.

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

ACCOUNTING UPDATE

Australian Accounting Standards

AASB 2008-10 Amendments to Australian Accounting Standards - Reclassification of Financial Assets [AASB 139 and AASB 7]

The amendments to AASB 139 permit an entity to:

- reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair-value-through-profit-or-loss category when the financial asset is no longer held for the purpose of selling or repurchasing in the near future, and either of the following apply:
 - there are rare circumstances; or
 - it would have met the definition of loans and receivables (if the financial asset had not been required to be held for trading at initial recognition);
- transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future.

The amendments to AASB 7 specify the disclosures required when the entity reclassifies financial assets out of fair value through profit or loss.

The amendments do not apply to financial assets that are derivatives. The Board will discuss at a future meeting whether or not the amendments should apply to financial assets backing insurance liabilities.

The application dates are as follows:

- reclassifications may not be applied retrospectively before 1 July 2008
- the decision to reclassify a financial asset on or after 1 July 2008, but on or before 31 October 2008, must be completed before 1 November 2008
- all reclassification made on or after 1 November 2008 shall be effective from the date of reclassification, irrespective of when the accounting period started.

Source: AASB News (22 October 2008), AASB 2008-10 and Deloitte Accounting Alert 2008/14.

AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

The AASB has finally released AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101', which makes amendments to Australian Accounting Standards, including Interpretations and the 'Framework for the Preparation and Presentation of Financial Statements'. These amendments arise from the issuance of the revised AASB 101 'Presentation of Financial Statements' in September 2007.

The main change introduced by AASB 2007-10 is to change the term 'financial report' to 'financial statements'. This will ensure Australian accounting standards are consistent with the terminology of IFRS.

This new amending standard is applicable to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted for annual reporting periods beginning on or after 1 January 2005, provided that the revised AASB 101 is also adopted for the same period.

Source: Accounting & Assurance News Today (ANT) Issue 42 (31 October 2008).

Exposure Drafts and Consultation Papers

AASB ED 169 Improving Disclosures about Financial Instruments: Proposed amendments to AASB 7

ED 169 is in response to recommendations made to the IASB Board to consider disclosures similar to those included in Statement of Financial Accounting Standards No. 157 Fair Value Measurements (SFAS157), issued by the US Financial Accounting Standards Board (FASB). These disclosures are based on a three-level hierarchy for the inputs to the valuation techniques that are used to measure fair value.

The AASB has reproduced the IASB Exposure Draft 'Improving Disclosures about Financial Instruments: Proposed Amendments to IFRS 7'.

The ED is available on the AASB website: www.aasb.gov.au and comments are due to the AASB by 1 December 2008.

Source: AASB News (24 October 2008) and ED 169.

AASB ED 168 Additional Exemptions for First-Time Adopters: Proposed amendments to AASB 1

ED 168 invites comments on proposed amendments to AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards'. The proposals address the retrospective application of IFRS in selected areas and are aimed at minimising cost and effort for entities applying IFRS.

ED 168 is the AASBs reproduction of the IASBs Exposure Draft 'Additional Exemptions for First-time Adopters: Proposed amendments to IFRS 1'.

The main features of the ED are:

- to exempt entities from retrospective application of IFRSs for oil and gas assets using the full cost method and for operations subject to rate regulation; and
- to exempt entities 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 available on the AASB website: www.aasb.gov.au and comments are due to the AASB by 5 December 2008.

Source: AASB News (16 October 2008) and ED 168.

AASB ED 167 Discontinued Operations: Proposed amendments to AASB 5

ED 167 is the AASBs reproduction of the IASBs Exposure Draft 'Discontinued Operations: Proposed amendments to IFRS 5', which proposes that a disposal activity should be presented as a discontinued operation only when an entity has made a strategic shift in its operations. The IASBs exposure draft is a result of a joint project between the IASB and FASB.

The IASB and FASB have decided that a definition of a discontinued operation is to be based on operating segments as defined in IFRS 8 'Operating Segments'.

The ED is available on the AASB website: www.aasb.gov.au. Comments are due to the AASB by 5 December 2008.

Source: AASB News (16 October 2008) and ED 167.

Discussion Paper: Initial Accounting for Internally Generated Intangible Assets

The purpose of this Paper is to encourage interested parties to think about issues concerning the initial accounting for internally generated intangible assets, and to comment on the views expressed, including the potential conceptual and practical implications of those views.

The Discussion Paper is available on the AASB website: www.aasb.gov.au. Comments on this Paper are requested by 15 May 2009.

Source: AASB News (31 October 2008).

AASB Announcements

AASB Submission on IASB Discussion Paper: Preliminary Views on an Improved Conceptual Framework for Financial Reporting

The AASB has made a submission to the IASB on its Discussion Paper 'Preliminary Views on an Improved Conceptual Framework for Financial Reporting: The Reporting Entity'.

The AASB strongly supported the group entity perspective and recommended:

- that arguments in favour of the group entity be strengthened
- the term 'business activity' in the description of a reporting entity be clarified
- the proposed description of reporting entity may reduce the need for a common control model as a distinct model for determining the composition of a group reporting entity since any combination of entities can be regarded as a 'circumscribed area of business activity' and therefore a reporting entity.

The submission can be accessed [here](#).

Source: AASB News (17 October 2008) and AASB Action Alert (13 October 2008).

AASB Submission on IASB Exposure Draft: An improved Conceptual Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics and Constraints of Decision-useful Financial Reporting Information

The AASB has made a submission to the IASB on the above ED. The AASB generally supports the IASB ED and recommended the following amendments:

- further explanation should be provided for adopting an entity perspective in financial reports
- the objective of financial reporting should include reference to providing information for evaluating decisions
- the qualitative characteristics should not be classified into 'fundamental' and 'enhancing' categories, unless more convincing reasons are provided for that classification scheme
- the concepts of relevance and materiality should be distinguished more clearly
- that the IASB and FASB reconsider their decision to deal with not-for-profit entity issues in a latter phase of their Conceptual Framework project (The Board also included amendments it would consider necessary when not-for-profit entities are considered in the project).

To read or download the submission document, click [here](#).

Source: AASB News (27 October 2008).

AASB Revolutionises the online search for pronouncements

The AASB has developed a revolutionary electronic solution which enables users to identify and locate the accounting pronouncements relevant to their particular financial reporting period. The new system easily extracts versions for the reporting period specified. Users will no longer have to search and combine a number of lists on the AASB website.

Click [here](#) to access this tool.

Source: AASB News (3 October 2008) and AASB Action Alert (13 October 2008).

Australian Accounting Standards Board (AASB) - Meetings

AASB Meeting Highlights - 10 October 2008

At its meeting the AASB discussed the following items:

- **Interpretations, Superannuation Contributions Tax** - the Board discussed the recommendations of its Advisory Panel that the measurement of an employer sponsor's defined benefit liability / asset should include the Australian Superannuation Contributions Tax. The Board decided to proceed with issuing an Interpretation and will consider a draft Interpretation at its November meeting.
- **Superannuation Plans and Approved Deposit Funds** - the Board considered a revised version of the draft ED for a replacement Standard for AAS 25 Financial Reporting by Superannuation Plans. The Board will continue its deliberations on a revised version of the draft ED at its November meeting.
- **Modifying IFRS for Not-for-Profit Entities** - the Board received an update on the status of discussions by the FRSB (NZ) on identifying criteria / factors to be considered when determining whether the requirements in IFRS should be modified for application by not-for-profit entities.
- **Legal Process for Adopting IFRSs as Australian Requirements** - the Board received a briefing on discussions with the Office of Legislative Drafting & Publishing (OLDP) of the Attorney-General's Department regarding the legal process for adopting IFRSs in Australia and decided that staff should continue discussions with the OLDP to proceed with establishing a more efficient approach while ensuring that the standards are properly constituted.
- **Credit Crisis** - the Board agreed to monitor IASB developments with a view to ensuring that, in the event that the IASB urgently amends IAS 39, Australian constituents will be able to maintain compliance with IFRSs through a rapid response by the Board.

Source: AASB Action Alert (13 October 2008).

AUDITING UPDATE

Guidance Statement

GS 009 Auditing Self Managed Superannuation Funds

This Guidance Statement has been developed to identify, clarify and summarise the existing responsibilities which auditors have with respect to conducting SMSF audit engagements, and to provide guidance to auditors on matters which the auditor considers when planning, conducting and reporting on the financial and compliance audits of a SMSF.

Source: AuASB News and GS 009.

Australian Auditing and Assurance Standards Board (AUASB) Meetings

Meeting Summary 27-28 October 2008

At its meeting the AUASB covered the following items:

- approval of the first group of redrafted Auditing Standards arising from the clarity project (ASAs 240, 260, 315, 330)
- approval of release of the third Group of 'Clarity' EDs for ASAs 200, 250, 320, 450, 510, 550, 580, 720
- amendments to GS 001 as a consequence to changes to AASB 1039 and the *Corporations Act 2001*, and inclusion of reference to the auditor's report on the Remuneration Report in the illustrative auditors reports. The revised GS 001 is anticipated for release in mid November 2008
- agreement that a formal submission should be made to the Department of Climate Change on its 'External Audit Consultation Paper', which was release on 17 October 2008⁹
- discussion on the need to revise and reissue AUS 904 Engagements to Perform Agreed upon Procedures. A project plan is to be developed for consideration at the December 2008 meeting
- discussion of the format of the consultative meeting to be held on 2 December 2008.

Source: AUASB Meeting Highlights (27-28 October 2008).

ETHICS UPDATE

Invitations to Comment

Consultation Paper on the Review of Miscellaneous Professional Statement APS 12 Financial Advisory Services Standards

This consultation paper encourages discussion and debate on the key issues surrounding the professional conduct of members of the accounting profession in the provision of financial advisory services.

The consultation paper is available at www.apesb.org.au Submissions must be made by 31 December 2008.

Source: APESB, What's New.

ASIC UPDATE

ASIC Commences action Against KPMG over Westpoint collapse

ASIC has commenced action against KPMG over its auditing of companies in the Westpoint Group which collapsed in early 2006. The claims are for negligent conduct by KPMG of audits of financial accounts for the years ended 30 June 2002, 2003 and 2004.

ASIC allege that KPMG negligently carried out audits by failing to identify issues related to the continuing solvency of companies and failing to qualify the audits of the companies. The claim also alleges that KPMG should have notified ASIC that it had grounds to suspect that breaches of the Corporations Act were taking place within the companies, including breaches of directors' duties and rules against insolvent trading.

Source: ASIC Media Releases (08-207) (13 October 2008).

INTERNATIONAL UPDATE

International Accounting Standards Board - EDs, Discussion and Consolation Papers

Discussion Paper: Preliminary Views on Financial Statement Presentation

Arising from concerns that IFRS and US GAAP provide only limited presentation guidelines, and user dissatisfaction with the lack of linking of information across the different statements due to aggregation, the IASB and FASB have released this discussion paper to present initial thinking on how these concerns can be addressed.

The discussion paper introduces 'cohesiveness' and 'disaggregation' as the two main objectives for financial statement presentation. Cohesiveness would ensure that a reader can follow the flow of information through the different financial statements of an entity. Disaggregation would ensure that items that respond differently to economic events are shown separately.

The discussion paper can be downloaded from the 'open for comment' section of the IASB website (www.iasb.org). Comments are due by 14 April 2009.

Source: IASB News (16 October 2008).

International Accounting Standards Board - Notices & Reports

IASB publishes educational guidance on the application of fair value measurement when market become inactive

The educational guidance takes the form of a summary document prepared by IASB staff and the final report of the expert advisory panel established to consider the issue.

The report provides useful information and educational guidance about the processes used and judgements made when measuring and disclosing fair value.

The summary document sets out the context of the expert advisory panel report and highlights important issues associated with measuring the fair value of financial instruments when markets become inactive. It takes into consideration and is consistent with recent documents issued by the US FASB and SEC.

The final report of the expert advisory panel and the IASB staff summary can be downloaded from [here](#).

Source: IASB New (31 October 2008).

IASB and FASB commit to a global approach to enhance market confidence

The IASB and FASB have announced the details on their joint approach to dealing with reporting issues arising from the global financial crisis. Expanding on their 16 October announcement regarding the establishment of a joint advisory group, the boards agreed to the following measures:

Rapid appointment of a high-level advisory group - tasked with considering how improvements in financial reporting could help enhance investor confidence in financial markets, identifying the accounting issues requiring urgent attention and those requiring longer-term consideration.

Public roundtables in Asia, Europe and North America - In the coming weeks the IASB and FASB will organise three roundtables for the purpose of gathering input on reporting issues emanating from the current global financial crisis (including responses by governments and other). The information gathered should enable the Boards to act rapidly and advance the advisory groups deliberations efficiently.

Common long-term solutions to reporting of financial instruments - both Boards emphasised their commitment to developing common solutions aimed at providing greater transparency and reduced complexity in the accounting of financial instruments. The Boards will use their joint discussion paper, *Reducing Complexity in Reporting Financial Instruments*, as a starting point for this longer term objective.

Source: IASB New (20 October 2008).

ISAC Foundation publishes XBRL Taxonomy Guide

The IASB 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 Meetings

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

<i>IASB Meeting Summaries</i>
2 October 2008 Meeting
Topics discussed: Amendments to IFRS 7 'Financial Instrument Disclosures' Consolidation Disclosures: off balance sheet entities For further information see the IASB Update for 2 nd October 2008.
13-17 October 2008 Meeting
Topics discussed: Credit Crisis Annual Improvements Fair value measurement Financial instruments with characteristics of equity IFRS for private entities Insurance contracts Share-based Payment Technical plan For further information see the IASB Update for October.
20-21 October 2008 Meeting
Topics discussed: Credit Crisis Conceptual framework Consolidation Derecognition Emissions trading Fair value measurement Financial instruments: reducing complexity Financial instruments with characteristics of equity Liabilities: uncertainties and expected cash flows For further information see the IASB Update for October.

International Federation of Accountants (IFAC) - General

Forum of Firms focus on Audits of Financial Institutions

On 8 October 2008 over 60 partners from 21 international networks of accounting firms met to share their experiences, industry insights and current practices for audits of financial institutions at a symposium of Audit of Financial Institutions organized by the Forum of Firms.

The symposium identified specific audit responses appropriate in the audits of financial statements of financial institutions. These include the importance of strong risk management, transparent disclosure for restoring market confidence, and heightened sensitivity to going concern issues.

Source: IFAC News (9 October 2008).

MISCELLANEOUS PUBLICATIONS

New South Wales Department of Local Government issues guidance for Internal Audit

The New South Wales Department of Local Government has put out its guidelines for internal audit for local government. The guidelines have been developed with extensive input from a range of volunteers from the Local Government Internal Audit Network and the New South Wales Chapter Council. Consultation on the guidelines right through the sector has taken place and hence, despite being voluntary, a high level of take up is expected.

The guidelines can be accessed [here](#).

Source: IIA-Australia members' e-newsletter, NSW members (16 October 2008).

Joint Accounting bodies submission to AICD

The Joint Accounting Bodies have lodged a submission to the Australian Institute of Company Directors on the joint FINSIA/AICD discussion paper on underlying profit. The bodies support the efforts being made to improve the quality and consistency of the non-statutory profit information communicated by entities. The seven principles outlined in the paper are generally supported, but the bodies have some concerns with the definition of underlying profit, the resultant adjustments and the example provided.

The submission can be downloaded from [here](#).

Source: Accounting & Assurance News Today (ANT) Issue 42 (31 October 2008).

Institute of Chartered Accountants on the Credit Crunch

The institute's website now contains a page of links to various local and international resources relating to the credit crisis. The page can be accessed from [here](#).

Source: Accounting & Assurance News Today (ANT) Issue 42 (31 October 2008).

Department of Climate Change releases NGER Consultation paper on External Audit

As part of consultation for the National Greenhouse and Energy Reporting System, the Department of Climate Change has released for public comment the 'National Greenhouse and Energy Reporting Act 2007 and Carbon Pollution Reduction Scheme - External Audit Consultation Paper'.

This consultation paper is designed to inform stakeholders and seek feedback on the development of external auditor regulations (professional expertise and qualifications) and external audit guidelines (conduct of audits and reports) under the 'National Greenhouse and Energy Reporting Act 2007' (the NGER Act). The external audit arrangements will support regulatory needs of both the NGER Act and the Carbon Pollution Reduction Scheme.

The consultation paper can be accessed from [here](#). Submissions should be made by 14 November 2008.

Source: Accounting & Assurance News Today (ANT) Issue 41 (24 October 2008).

SEC Commences Work on Congressionally Mandated Study on Accounting Standards

The SEC Commission announced additional details on the process and initial steps undertaken to conduct a study on 'mark-to-market' accounting, as authorised by Sec. 133 of the Emergency Economic Stabilization Act of 2008, signed into law by President Bush on 10 October.

Under that legislation, the SEC is required to conduct a study of 'mark-to-market' accounting. The study is to be completed by 2 January 2009, in consultation with the Secretary of The Treasury and the Board of Governors of the Federal Reserve System. Under the terms of the EESA, the study will focus on:

- Effects of such accounting standards on a financial institution's balance sheet
- Impacts of such accounting on bank failures in 2008
- Impact of such standards on the quality of financial information available to investors
- The process used by the FASB in developing accounting standards
- Advisability and feasibility of modifications to such standards, and
- Alternative accounting standards to those provided in FASB Statement Number 157.

The results of this study are likely to impact on AASB 139 'Financial Instruments: Recognition and Measurement'.

Source: GAAP Alert (15 October 2008).

ACT Auditor-General's Office

- The ACT Auditor-General's Office Annual Report 2007-08.

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

Australian National Audit Office

- Working with Auditors.
- Centrelink's Tip-off System.

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

Office of the Auditor-General, Western Australia

- Improving Resource Project Approvals.

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

Queensland Audit Office

- Report No. 7 for 2008: Administration of Grants and Funding to Community Organisations by Local Governments in Queensland, A Performance Management Systems Audit.

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

Tasmanian Audit Office

- Annual Report of the Auditor-General 2007-08.
- Special Report No. 75 - Executive Termination Payments.

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

Victorian Auditor-General's Office

- CASES21 (2008-09:6).
- Working with Children Check (2008-09:5).
- Private Practice Arrangements in Health Services (2008-09:4).

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

Independent Commission Against Corruption

- Report on an investigation into corruption allegations affecting Wollongong City Council - Part Three.
- ICAC Annual Report.
- ICAC Strategic Plan 2008-2012.

These publications are 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.

C2008-31 NSW Public Sector Workforce Strategy

The New South Wales Public Sector Workforce Strategy 2008-2012 sets the agenda to improve how the sector recruits, develops and retains staff and how it plans for its future workforce needs. To meet the commitments set out in the 'State Plan', the sector needs to have the right people, with the right capabilities, skills and attitudes in the right jobs.

The Strategy sets three strategic directions for developing the public sector workforce over the next five years. They are:

- creating a workforce that attracts and retains talented employees and draws on the diversity of the people of New South Wales
- building a supported, motivated and high performing workforce, and
- improving workforce planning and management across the sector.

Please see [C2008-31](#) for further details.

C2008-34 Prequalification Scheme: Performance and Management Services

The Department of Premier and Cabinet, in conjunction with the Department of Commerce, has established the 'Prequalification Scheme: Performance and Management Services' - a list of prequalified service providers to assist New South Wales Government agencies and statutory corporations to engage the best external expertise.

The Scheme will operate for an initial two year period. The Scheme is open and applications for inclusion will be assessed at regular intervals.

Please see [C2008-34](#) for further details.

C2008-35 Risk-Based Compliance and Competition Test Assessment

Two tools, 'Risk-Based Compliance' and 'Assessment Against the Competition Test', have been prepared to supplement the 'Guide to Better Regulation'.

Every regulatory proposal submitted to Cabinet or the Executive Council must demonstrate application of the better regulation principles set out in the Guide.

'Risk-Based Compliance' provides a basic step-by-step guide to implementing a risk-based approach to compliance.

This tool should also be used by agencies to improve the efficiency and effectiveness of existing compliance programs which were not developed using risk analysis techniques.

'Assessment Against the Competition Test' assists agencies to identify a competition restriction, assess the costs and benefits of the restriction and consider alternatives to the restriction. This information will assist agencies to determine whether a competition restriction is justified or not.

'Risk-Based Compliance' and 'Assessment Against the Competition Test' can be found on the Better Regulation Office website at www.betterregulation.nsw.gov.au. Please see [C2008-35](#) for further details.

Please see [C2008-35](#) for further details.

C2008-36 Crown Employees (Public Sector Salaries - 2008) Award - Settlement of Claim with the Public Service Association

The purpose of this Circular is to advise Department and Agency Heads of arrangements related to the settlement of the 'Crown Employees (Public Sector Salaries -2008) Award'.

The settlement provides for three 4 per cent wage increases over the life of the Award. The increases will be funded pursuant to the New South Wales Government wages policy with 2.5 per cent per annum funded and 1.5 per cent per annum funded from the implementation of central and agency based reform measures.

Please see [C2008-36](#) for further details.

C2008-37 Australian and Overseas Travelling Allowances

Travelling allowances have been adjusted following Taxation Determination 2008/18 by the Australian Taxation Office (ATO). The new rates are effective from 1 July 2008.

Please see [C2008-37](#) for further details.

C2008-41 Reduction of Senior Executive Positions

The Premier recently announced that there will be a 20 per cent reduction in senior executive numbers. This circular provides advice on the process for achieving the reductions.

Please see [C2008-41](#) for further details.

Premier's Memoranda

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

M2008-17 NSW Policy and Guidelines for Protecting National Security Information

All New South Wales public sector agencies and State Owned Corporations (that hold or access national security information) are to report annually to the New South Wales Department of Premier and Cabinet the percentage of compliance with these guidelines by undertaking a self administered review and gap analysis. Initial compliance reports are required to be submitted to the New South Wales Department of Premier and Cabinet via CTDR@dpc.nsw.gov.au by 1 December 2008 to meet requirements.

See [M2008-17](#) for further information.

M2008-19 Proactive Release of Information by Government Agencies

As part of the Premier's ongoing commitment to improving access to information regarding the activities of the New South Wales Government, the Premier asks Ministers to work with their agencies to identify and release, as soon as practicable, information which can be made available to the public at minimal cost and without compromising the public interest. In particular, agencies should consider routinely releasing information that is sought regularly under the FOI Act.

See [M2008-19](#) for further information.

M2008-20 Annual Determination of Remuneration for Chief Executive and Senior Executive Services

The Statutory and Other Offices Remuneration Tribunal determined a general increase of 3.9 per cent to the remuneration packages of CES and SES officers. The Tribunal considered that 2.5 per cent should be passed on to each SES officer subject to satisfactory performance. The Tribunal also determined that in undertaking performance reviews, CEOs should approve up to a further 1.4 per cent increase in circumstances where there have been, in the view of the CEO, productivity improvements within the agency sufficient to warrant the additional increase.

See [M2008-20](#) for further information.

Other Premier's Circulars and Memoranda

- [M2008-18](#) - Availability of Ministers' Media Releases on New South Wales Government Agency Websites.
- [C2008-32](#) - Making the Public Sector Work Better for Women.
- [C2008-33](#) - Spokeswomen's Program Changes.
- [C2008-38](#) - National Ride to Work Day - Wednesday, 15 October.
- [C2008-39](#) - Seven Bridges Walk - Sunday 26 October 2008.
- [C2008-40](#) - The Roads and Traffic Authority (RTA) as a Contractor to Agencies

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

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 New South Wales Government Information Service (telephone 9743 7200).

Publications of the Australian Auditing and Assurance Standards Board (AUASB) including auditing and assurance standards, guidance statements, and 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 New South Wales Government legislation including changes to legislation can be purchased from the New South Wales Government Information Service. The legislation is also on the Internet at www.legislation.nsw.gov.au.

Treasury publications may be viewed by visiting The 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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