

AWARENESS

Accounting and Auditing Developments - ISSUE 9 - November 2009

AUDIT OFFICE UPDATE

Auditor-General's Report to Parliament: Volume Three 2009 - Electricity

This report focussed mainly on the financial audits of government agencies in the electricity sector.

The audits of the seven New South Wales electricity corporations' financial reports for the year ended 30 June 2009 resulted in unqualified Independent Auditor's Reports. The Independent Auditor's Reports for the three power stations drew attention to significant uncertainty in the value of power station assets due to the unknown impacts of the Federal Government's proposed Carbon Pollution Reduction Scheme.

Other concerns include:

- projected electricity demand in New South Wales is currently expected to exceed supply by 2015-16 - planned additions to the New South Wales electricity supply need to be in place in time to ensure continued supply of electricity
- it is unclear whether The Treasury's electricity restructure strategy includes a reserve price and retention value - important for ensuring the best outcome for the people of New South Wales
- renewable energy targets remain a challenge
- electricity entities' distributions to the Government were \$1.0 billion, down \$0.5 billion from last year.

Further information

The full report is available on the [Audit Office of New South Wales website](#).

Auditor-General's Report to Parliament: Volume Four 2009 - Total State Sector Accounts

This report included audit results for the 2008-09 Total State Sector Accounts.

The audit resulted in a qualified Independent Audit Report as the State has not recognised land under roads acquired before 1 July 2008, and the Auditor-General was unable to obtain sufficient information to form an opinion on the value of Crown Reserves that should be recorded as an asset.

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THE AUDIT OFFICE
OF NEW SOUTH WALES

Other concerns include:

- the governance over the Total State Sector Accounts - currently there is no audit committee overseeing the preparation of the Total State Sector Accounts
- significant and consistent overruns of budgeted expenditure at a number of large agencies
- uncertainty in parts of the New South Wales public sector about how the recent creation of 13 super departments will work. There is a risk that the new super departments will not be able to prepare their 2009-10 financial reports in time for audit.

Further information

The full report is available on the [Audit Office of New South Wales website](#).

Auditor-General's Report to Parliament: Volume Five 2009 - Treasury and Public Financing Enterprises

This report includes comments on The Treasury and public financing enterprises.

Despite the global financial crisis causing significant market disruption, The Treasury Corporation raised \$10.9 billion during the year (\$10.4 billion in 2007-08) from domestic and international debt markets.

Our concerns include:

- The State Debt Recovery Office writing off 305,770 fines valued at \$62.4 million as they were deemed not recoverable
- The Crown Entity's unfunded superannuation liabilities increasing from \$17.5 billion in 2007-08 to \$28.4 billion in 2008-09, primarily due to a negative return of 10.4 per cent on its assets and a decrease in the discount rate used by the actuary in estimating liabilities
- Parliamentary Contributory Superannuation Scheme's unfunded liabilities increasing from \$88.6 million at 30 June 2008 to \$154 million at 30 June 2009 due to unfavourable investment returns resulting from the global financial crisis.

Further information

The full report is available on the [Audit Office of New South Wales website](#).

Auditor-General's Report to Parliament: Handback of the M4 Tollway: Roads and Traffic Authority

About the audit

In 1989, the Roads and Traffic Authority (RTA) awarded a contract to Statewide Roads (SWR) to build, own and operate the missing section of the M4 from Mays Hill to Prospect and to upgrade other sections. Tolls are levied to pay for the privately built parts of the road. At midnight on 15 February 2010, the M4 will be the first major PPP in New South Wales to be handed back to Government. New South Wales Government policy is to remove the toll on handback. The objective of this audit was to assess how well the RTA is managing this handback to ensure the road is in a satisfactory condition and limit impact on road users. Our two lines of inquiry were:

- Is the RTA taking appropriate steps to ensure the privately owned and operated sections of the M4 will be handed back in satisfactory condition and fit for purpose?
- Is the RTA taking appropriate steps to limit the impact of toll removal on road users?

Audit conclusions

Road condition

The project deed created a number of problems for the RTA. It did not specify how to determine repairs needed to bring the road to a satisfactory condition on handback. It did not require condition and maintenance approaches be kept up-to-date with industry standards and best practice. It did not establish a simple method to cover the cost of any repairs the operator may fail to make.

Despite the shortcomings in the deed, the sections of the M4 built and maintained by SWR should be in a satisfactory condition when handed back, not requiring major repairs to the pavement or substantial structures in the next five years. This positive outcome can be attributed to a combination of good management and good will between RTA and SWR. Such a scenario cannot be relied upon in all PPPs, so it is important to address these shortcomings in future deeds.

Project deeds have evolved since 1989. The RTA's most recent deed (M7 Western Sydney Orbital) deals better with handback. The Treasury also now requires agencies to incorporate stronger provisions to ensure assets are handed back in good condition and to cover handback repair costs.

Impact on motorists

The Government's policy to remove the toll on handback will increase the number of vehicles using the M4 and queuing in the peak period. More motorists will want to use the M4 than can fit on to it. By 2011, demand in the M4 corridor is predicted to increase by approximately 2,000 vehicles per hour. Of these, 500 will result from toll removal and 1,500 from natural growth.

The RTA is taking steps to cushion the effect of toll removal on M4 motorists. These include changes to the lane configuration, additional capacity on some off ramps, changes at key intersections, additional variable message signs, and a public education campaign. Planning is well advanced for these works. These changes will only have a limited impact on peak direction travel times on the M4, but will have an overall network benefit. Even with the changes, removing the toll will add 6.5 minutes (27 per cent) to travel times on the M4 heading east in the morning peak (between Cumberland Highway, Wentworthville and the eastern end of the motorway). In the afternoon peak, westbound travel time on the M4 will be about the same. However, users will be delayed getting on to the M4 at Strathfield.

The RTA could not tell us how much longer motorists will have to wait to get from the city to the M4 in the evening or to get from the M4 to the city in the morning. The RTA's modelling has focused on infrastructure solutions along the M4, and not necessarily the information needs of motorists. People need to know the impact on travel to and from the city, not just the M4 section of the trip. This would help them make decisions about when to travel, what route to take, or whether they should instead use public transport.

The RTA has no plans to further enhance the M4. It has advised that in the absence of an M4 East extension, further enhancements to the M4 would not be cost effective and only move congestion further along the motorway.

Summary of recommendations

We have recommended that the RTA:

- ensure future deeds spell out an appropriate inspection and testing program to determine repairs and link condition standards and maintenance approaches to industry standards
- review lessons learnt from this M4 handback and determine whether it should seek to negotiate changes to existing tollway deeds
- complete planned M4 road works and traffic management system changes on time, and no later than 31 March 2010
- start communicating to motorists the likely impact of toll removal on congestion and travel time by the end of 2009
- determine the impact of toll removal on motorists travelling between the city and Parramatta during peak periods, and advise motorists before handback.

Further information

The full report is available on the [Audit Office of New South Wales website](#).

Audit Office of New South Wales 2009 Annual Report

The Annual Report provides an appraisal of the Audit Office of New South Wales' performance for 2008-09. It includes commentary 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.

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

ACCOUNTING UPDATE

Australian Accounting Standards Board (AASB) Pronouncements

AASB 2009-9 'Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters'

AASB 2009-9 amends AASB 1 'First-time Adoption of Australian Accounting Standards' as a consequence of the issuance of 'Additional Exemptions for First-time Adopters (Amendments to IFRS 1)' by the IASB in July 2009.

The changes improve the transitional requirements on initial adoption relating to oil and gas assets and lease arrangements affected by IFRIC 4 'Determining Whether an Arrangement Contains a Lease'.

AASB 2009-9 applies to annual reporting periods beginning on or after 1 January 2010 and early adoption is permitted.

For more information, go to the [AASB website](#).

Source: Accounting & Assurance News Today, Issue 42 (23 October 2009).

AASB 2009-10 'Amendments to Australian Accounting Standards - Classification of Rights Issues'

AASB 2009-10 amends AASB 132 'Financial Instruments: Presentation' as a consequence of the amendments to IAS 32 'Financial Instruments: Presentation'.

The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues be classified as equity regardless of the currency in which the exercise price is denominated.

AASB 2009-10 applies to reporting periods beginning on or after 1 February 2010 and early adoption is permitted.

For more information, go to the [AASB website](#).

Source: [IASB press release](#) (8 October 2009).

Erratum 'General Terminology Changes'

This Erratum amends the following pronouncements, similar to those made in AASB 2009-6 'Amendments to Australian Accounting Standards':

- AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' (July 2004, as amended)
- AASB 112 'Income Taxes'
- AASB 121 'The Effects of Changes in Foreign Exchange Rates'
- AASB 139 'Financial Instruments: Recognition and Measurement'
- AASB 141 'Agriculture'
- AASB 1023 'General Insurance Contracts'
- AASB 1038 'Life Insurance Contracts'
- Interpretation 7 'Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies'
- Interpretation 10 'Interim Financial Reporting and Impairment'.

In accordance with the application date of AASB 2009-6, this Erratum applies to annual reporting periods beginning on or after 1 January 2009 that end on or after 30 June 2009. Early adoption is permitted provided AASB 2009-6 is also adopted for the same period.

For more information, go to the [AASB website](#).

Source: AASB media release (8 October 2009).

Joint AASB/FRSB Meeting Highlights - 28-29 October 2009

At its meeting, the AASB and FRSB discussed the following:

- **Single Economic Market Initiative** - The Boards noted the August 2009 Joint statement by Prime Ministers Rudd and Key on trans-Tasman cooperation and the related Outcome Proposals on financial reporting. The Boards decided to take a leadership role on the convergence of financial reporting in Australia and New Zealand and to liaise with regulators in each jurisdiction in the interests of achieving the relevant Outcome Proposals.
- **Australian - New Zealand Convergence** - The Boards considered summaries of differences between Australian and New Zealand accounting standards. The Boards agreed for a joint exposure draft seeking to eliminate differences on modifications from IFRSs affecting for-profit entities and ensuring supplements to IFRSs be the same in both jurisdictions.
- **Differential Reporting** - The Boards discussed:
 - the suitability of the IFRS for SMEs as a second tier set of reporting requirements in the two jurisdictions
 - whether the proposed Australian reduced-disclosure regime would be an option for New Zealand
 - whether the approach to differential reporting for not-for-profit entities in the private and public sectors should differ from the approach in the for-profit private sector.
- **Liabilities/Provisions** - The Boards discussed recent developments in the IASB's project on Liabilities, which proposes substantive changes to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.
- **Insurance contracts** - The Boards noted that IASB's forthcoming ED on insurance contracts would have a number of implications for the measurement of insurance liabilities under Australian and New Zealand Accounting Standards.
- **Rate-regulated Activities** - The Boards decided that their separate submissions to the IASB ED/2009/8 'Rate-regulated Activities' should strongly oppose the proposals and support the dissenting views in the ED.
- **Not-for-profit Disclosures - Service Performance Reporting** - The Boards discussed the potential benefits and challenges of working jointly, particularly in light of the different project scopes (AASB's focus on private sector not-for-profit entities and FRSB's focus on public benefit entities, which includes public sector entities). The Boards observed that if the focus of the work were on developing general principles, the different scopes should not be an impediment to a joint project.
- **Financial Instruments** - The Boards were provided with an update on the three phases (classification and measurement; asset impairment; and hedging) of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

Topics dealt with by the AASB in its separate meeting:

- **GAAP/GFS Harmonisation for Entities within the GGS** - The Board reconsidered the arguments for and against proceeding with GAAP/GFS harmonisation for entities within the GGS based on the proposals in ED 174 'Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS (AASBs 101, 107 and 1052)', and discussed alternative ways to proceed. The Board decided to issue non-mandatory guidance, which would include material based on the proposals in ED 174 and an illustrative example, that could be used if a jurisdiction/entity elects to present GAAP/GFS harmonised general purpose financial statements.
- **Differential Reporting in Australia** - The Board discussed alternative timelines for the completion of the reduced-disclosure regime and the types of entities in the not-for-profit private and public sectors that should be required to report at tier one level.

For more information, go to the [AASB website](#).

Source: AASB Action Alert, Number 129 (30 October 2009).

AUDITING UPDATE

Auditing and Assurance Standards Board (AUASB) Meeting Highlights - 26-27 October 2009

At its meeting, the AUASB discussed the following:

- **ASA Redrafting (Clarity Format)** - The Board approved the final versions of 41 revised and redrafted auditing standards in clarity format and the AUASB Glossary. The auditing standards (other than ASQC 1) are operative for financial reporting periods commencing on or after 1 January 2010. ASQC 1 and the AUASB Glossary are operative on 1 January 2010.
- **International matters** - The Board received an update on the recent activities of the IAASB. The IAASB will be seeking comments on consultation papers on the Proposed ISAE 3410 'Assurance on a Greenhouse Gas Statement' and Complex Financial Instruments project.
- **National Greenhouse and Energy Reporting Scheme (NGERS) and Carbon Pollution Reduction Scheme (CPRS)** - The Board received an update on the liaison between the AUASB and the Department of Climate Change on matters raised by the AUASB.
- **Specified Assurance Procedures** - The Board discussed an issues paper on specified assurance procedures and approved the development of a pronouncement to highlight the differentiating factors between an assurance and non-assurance engagement, and to identify the standards relevant to conducting specified assurance procedures engagements.
- **Draft Guidance Statement - Auditing Implications of Accounting for Investments in Associates** - The Board considered this draft guidance statement and will consider the final guidance statement for approval out-of-session.
- **Guidance Statement - Auditing Revenue of Charitable Entities** - The Board considered a project plan to revise and reissue AGS 1054 as a guidance statement.

For more information, go to the [AUASB website](#).

Source: AUASB meeting highlights (26-27 October 2009).

FINANCIAL REPORTING COUNCIL (FRC) UPDATE

FRC Meeting Highlights - 21 September 2009

At its meeting, the FRC considered the following topics:

- promotion of IFRS in the Asia-Pacific region
- differential financial reporting
- public sector accounting
- reports from stakeholder bodies
- international developments.

For more information, go to the [FRC website](#).

Source: FRC Bulletin 2009/5 (21 September 2009).

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION (ASIC) UPDATE

ASIC proceedings against current and former officers of Centro

ASIC launched civil penalty proceedings in the Federal Court of Australia against current and former directors and a former Chief Financial Officer (CFO) of various entities within the Centro Properties Group (CNP) and Centro Retail Group (CER) (Centro).

Central to ASIC's action is the responsibility of company directors and chief financial officers to take reasonable steps to ensure that information contained in financial reports and disclosed to the market, is accurate, complies with relevant accounting standards, and is not misleading.

ASIC alleges that these directors and officer failed to discharge their duties with due care and diligence in approving the financial reports for Centro Properties Ltd, Centro Property Trust and Centro Retail Trust for the year ended 30 June 2007.

ASIC contends that these financial reports contained material misstatements. Significant amounts of interest-bearing liabilities of each of the relevant entities were wrongly classified as non-current liabilities, rather than current liabilities. This resulted in the relevant entities not complying with the applicable accounting standard.

ASIC also contends that these directors and the officer knew that the entities had very significant short-term interest bearing liabilities, and should have known that these liabilities were incorrectly classified in the 2007 financial reports.

This is the first case where the requirement that a listed entity's CEO and CFO declare in writing to the company directors that the financial reports comply with the accounting standards will be an issue before the Court.

For more information, go to the [ASIC website](#).

Source: ASIC advisory 09-202AD (21 October 2009).

Updated compensation and insurance arrangements for licensees

ASIC released an updated version of Regulatory Guide 126 'Compensation and insurance arrangements for AFS licensees'.

ASIC has removed the requirement for Australian Financial Services (AFS) licensees to obtain automatic run-off cover. Previously, AFS licensees were required to obtain professional indemnity (PI) insurance policies that included 12 months automatic run-off cover from 1 January 2010.

For more information, go to the [ASIC website](#).

Source: ASIC advisory 09-206AD (26 October 2009).

LEGISLATIVE UPDATE

Annual Reports (Departments) Amendment (Multicultural Policies and Services Program) Regulation 2009 (2009-505)

The object of this Regulation is to amend Schedule 1 of the Annual Reports (Departments) Regulation 2005 by replacing a reference to the ethnic affairs priority statement with a reference to the multicultural policies and services program. Schedule 1 of that Regulation prescribes certain matters and particulars that must be included in the annual report prepared by a Department.

This Regulation is made under the *Annual Reports (Departments) Act 1985*.

For more information, go to the [NSW Legislation website](#).

Source: Annual Reports (Departments) Amendment (Multicultural Policies and Services Program) Regulation 2009 (2009-505).

PREMIER'S DEPARTMENT UPDATE

Premier's Circulars

The following recent Premier's Department Circulars are available at www.dpc.nsw.gov.au.

C2009-34 'Extension of approval process for expenditure on ICT and consultancies related to corporate services'

All expenditure proposals for ICT (goods and services) and corporate service consultancies must have the prior approval of the Department of Premier and Cabinet.

This requirement is to ensure that expenditure on corporate services is consistent with the Premier's directions for sector-wide corporate services consolidation.

As part of the reforms to the structure of the New South Wales Government and the creation of 13 super departments, the Premier has indicated that wherever possible, corporate services be consolidated to achieve efficiencies and better support to front line service delivery.

This circular replaces the C2003-25.

C2009-35 'Variation to the Crown Employees (Public Service Training Wage) Award'

On 13 October 2009, the New South Wales Industrial Relations Commission increased rates of pay in the 'Crown Employees (Public Service Training Wage) Award 2005' by 2.8 per cent.

The new rates are to be applied retrospectively from the first pay period to commence on or after 8 September 2009.

Other Premier's Circulars

- [C2009-36](#) White Ribbon Day 25 November 2009
- [C2009-37](#) Nominations for the Public Service Medal

THE TREASURY UPDATE (NEW SOUTH WALES GOVERNMENT)

Treasury Circulars

The following recent Treasury Circulars are available at www.treasury.nsw.gov.au.

TC 09/09 'Control over Payments from the Consolidated Fund'

All budget-dependent agencies are required to strictly comply with legislative provisions relating to payments from the Consolidated Fund.

No liability exceeding a Consolidated Fund appropriation is to be incurred prior to the approval of the Treasury for the provision of supplementary funding. The Treasury will only approve supplementary funding under exceptional circumstances.

TC 09/10 'Guidelines for Boards of Government Businesses'

In April 2009, the Treasury released a revised edition of the 'Guidelines for Boards of Government Businesses' (TPP 09-02). TPP 09-02 does not contain any significant amendments to the previous superseded publication (TPP 07-08).

The purpose of TPP 09-02 is to outline the key private sector good practice standards of corporate governance that are most appropriate to the practices and procedures for boards of government businesses. It is aimed at government businesses (and their subsidiaries) with a governing board, although some principles may also be relevant for advisory boards.

The recommendations contained in the executive summary are not mandatory. However, where a governing body of a government business considers a recommendation inappropriate to its circumstances, it should include an explanation in its annual report.

This Circular withdraws and supersedes TC 07/17 'Guidelines for Boards of Government Businesses'.

CLIMATE CHANGE UPDATE

Access to the global carbon market

Two new measures adopted by the Federal Government should assist Australian businesses and individuals in reducing their overall levels of greenhouse gas emissions. Known as the Kyoto Protocol flexibility mechanisms - consisting of the Clean Development Mechanism (CDM) and Joint Implementation (JI) projects - will facilitate the global trade of Kyoto units in offsetting carbon emissions.

Individuals and businesses may now open an account with the Australian National Registry of Emission Units (ANREU), which allows them to participate in emissions trading. This will be of particular importance once the Carbon Pollution Reduction Scheme is introduced.

For more information, go to the [Climate Change website](#).

Source: Accounting & Assurance News Today, Issue 40 (9 October 2009).

The Kyoto Protocol accounting rules

A paper summarising the key accounting provisions of the Kyoto Protocol is available on the [Australian Parliament website](#). It also presents Australia's decisions with respect to the electives and its ensuing obligations under the Kyoto Protocol treaty.

Source: Parliament of Australia, Parliamentary library, The Kyoto Protocol accounting rules (14 October 2009).

Australian Securities Exchange (ASX) to list new environmental futures and options contracts

The ASX will list futures and options contracts on Renewable Energy Certificates (REC) on 24 November 2009. These contracts will support the Australian Government's Renewable Energy Target (RET) scheme, designed to ensure 20 per cent of Australia's electricity comes from renewable sources by 2020.

The ASX will list Certified Emission Reduction (CER) futures and options contracts in the first quarter of 2010. These contracts are designed to service the specific requirements of prospective compliance entities in Australia and New Zealand, as well as investors and developers involved in Clean Development Mechanism projects.

Subject to the passage of the proposed Carbon Pollution Reduction Scheme legislation in Australia, the ASX also intends (after regulatory clearance) to list futures and options on Australian Emission Units (AEU).

The introduction of REC, CER and AEU futures and options at the ASX will enable market participants to manage market risks and make investment decisions about climate change and related government policies. It will also help firms in Australia and New Zealand to facilitate carbon trading, finance and investment, as well as to provide related risk and legal advisory services.

For more information, go to the [ASX website](#).

Source: ASX media release (7 October 2009).

Consultation Paper: Assurance on Greenhouse Gas Emissions

The International Auditing and Assurance Board has released a consultation paper that is aimed at developing a new assurance standard that will enhance the credibility of greenhouse gas (GHG) information.

Overall, the consultation paper seeks information on:

- the form of assurance report that users would find most useful
- the nature and extent of requirements
- how a standard should be best integrated with regulatory requirements
- the technical aspects of applying assurance processes to GHG emissions.

For more information, got to [IAASB website](#).

Source: Accounting & Assurance News Today, Issue 42 (23 October 2009).

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

Statement of Principles for Accounting Standards and Standard Setting

This statement, issued by the International Accounting Standards Committee Foundation Monitoring Board, is designed to ensure that the basic principles underlying accounting standards are clearly understood by all those involved in formulating responses to current global economic conditions. It also seeks to address concerns about the nature and speed of regulatory change in these circumstances.

For more information, go to the [IASB website](#).

Source: Accounting & Assurance News Today, Issue 40 (9 October 2009).

IAS 24 'Related Party Disclosures'

This revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

Previously, if a government controlled or significantly influenced an entity, the entity was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard only requires disclosure about these transactions that are individually or collectively significant.

The revised standard is effective for annual periods beginning on or after 1 January 2011 and early adoption is permitted.

For more information, go to the [IASB website](#).

Source: Accounting & Assurance News Today, Issue 44 (6 November 2009).

IASB Meeting Highlights - 6 October 2009

At its project meeting for financial instruments, the IASB discussed the following:

Classification and measurement - phase 1

- Interaction between the two classification conditions
- Amortised cost
- Fair value option (FVO)
- Reflecting changes in own credit risk for financial liabilities not measured at amortised cost
- Accounting for embedded derivatives
- Unquoted equity instruments: elimination of cost exception.

Impairment - phase 2

- Guidance for variable interest rates
- Presentation and Disclosures
- Impairment - interaction with other IFRSs (IAS 28 and IFRS 4).

Hedge Accounting - phase 3

- Applying cash flow hedge accounting mechanics to a fair value.

For more information, go to the [IASB website](#).

Source: IASB Update (6 October 2009).

IASB Meeting Highlights - 15-16 October 2009

At its meeting, the IASB conducted further discussions on the three phases of the project to replace IAS 39.

For more information, go to the [IASB website](#).

Source: IASB Update (15-16 October 2009).

IASB Meeting Highlights - 19-23 October 2009

At its meeting, the IASB discussed the following:

- Financial crisis
 - Consolidation
 - Credit risk in liability
 - Derecognition
 - Fair value measurement
 - Financial instruments
- Financial statement presentation
- Insurance contracts
- Liabilities: amendments to IAS 37
- Other comprehensive income
- Post-employment benefits.

For more information, go to the [IASB website](#).

Source: IASB Update (October 2009).

IASB/FASB Joint Meeting Highlights - 26-28 October 2009

At its meeting, the IASB/FASB discussed the following:

- Financial crisis
 - Consolidation
 - Fair value measurement
 - Financial instruments
- Discontinued operations
- Financial instruments with characteristics of equity
- Financial statement presentation
- Income tax
- Insurance contracts
- Leases
- Revenue recognition
- Statement of comprehensive income
- Technical plan.

For more information, go to the [IASB website](#).

Source: IASB Update (October 2009).

International Auditing and Assurance Board (IAASB)

Consultation Paper: Auditing Complex Financial Instruments

This consultation paper seeks views on possible new guidance on auditing the fair values of complex financial instruments. It will revise its current Practice Statement 1012 'Auditing Derivative Financial Instruments'.

This consultation paper incorporates recent work by the UK Auditing Practices Board on the same topic. It asks specific questions about how that guidance might be adapted or supplemented for application in the international context.

The consultation paper is available on the [IAASB website](#) and comments are due to the IAASB by 15 January 2010.

Source: Accounting & Assurance News Today, Issue 42 (23 October 2009).

New tools to support Clarity ISA implementation

The IAASB has released a series of information modules focusing on the new and more significantly revised International Standards on Auditing (ISAs), which have been redrafted in Clarity format.

Each module combines a short video presentation accompanied by slides. The slides explain the principles of, and the major changes in, individual ISAs, including the implications for small and medium sized entities (SMEs).

For more information, go to the [IFAC website](#).

Source: Accounting & Assurance News Today, Issue 40 (9 October 2009).

IAASB meeting update - 21-25 September 2009

At its meeting, the IAASB discussed the following:

- Service organisations
- Complex financial instruments
- Assurance of a greenhouse gas statement
- Pro forma financial information included in prospectuses
- Review and compilation engagements
- Using the work of internal auditors
- XBRL.

For more information, go to the [IAASB website](#).

Source: IAASB meeting highlights (September 2009).

MISCELLANEOUS PUBLICATIONS

Report on Special Purpose Entities - September 2009

This report, released by the Joint Forum (a group of technical experts working under the umbrella of the three international groupings of supervisory bodies: the Basel Committee on Banking Supervision, the International Organization of Securities Commissions and the International Association of Insurance Supervisors), serves two broad objectives. First, it provides background on the variety of special purpose entities (SPEs) found across the financial sectors, the motivations of market participants to make use of these structures, and risk management issues that arise from their use. Second, it suggests policy implications and issues for consideration by market participants and the supervisory community.

For more information, go to the [Bank for International Settlements website](#).

Source: Bank for International Settlements, Press release 'Special Purpose Entities: Joint Forum releases final report' (29 September 2009).

CPA Australia - Summary of Reported Quality Assurance Breaches

CPA Australia undertook its 2009 quality assurance review of members in public practice and found a number of breaches.

The top ten audit standards breached were:

- ASA 315 'Understanding the Entity and its Environment and Assessing the Risk of Material Misstatement'
- ASA 300 'Planning an Audit of a Financial Report'
- ASA 230 'Audit Documentation'
- ASA 240 'The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report'
- ASA 200 'Objective and General Principles Governing an Audit of a Financial Report'
- ASA 580 'Management Representations'
- ASA 210 'Terms of Audit Engagement'
- ASA 330 'The Auditor's Procedures in Response to Assessed Risk'
- *Superannuation Industry (Supervision) Act 1993*
- ASA 320 'Materiality and Audit Adjustments'.

The top ten non-audit standards breached were:

- APES 315 'Compilation of Financial Information'
- APES 305 'Terms of Engagement'
- APES 320 'Quality Control for Firms'
- APES 220 'Taxation Services'
- APES 110 'Code of Ethics for Professional Accountants'
- APES 205 'Conformity with Accounting Standards'
- RMS1 'Risk Management Statement'
- section 251A of the *Corporations Act 2001* - Minutes
- section 171 of the *Corporations Act 2001* - Register of Debenture Holders
- section 169 of the *Corporations Act 2001* - Register of Members.

For more information, go to the [CPA Australia website](#).

Source: CPA Australia News Update (7 October 2009).

Productivity Commission - 'Public and Private Hospitals Discussion Draft'

This Discussion Draft responds to a request by the Australian Government to examine three aspects of Australia's health care system:

- the relative performance of public and private hospitals
- rates of informed financial consent for privately insured patients
- the most appropriate indexation factor for the Medicare Levy Surcharge income thresholds.

The Discussion Draft is available on the [Productivity Commission website](#) and comments are due to the Productivity Commission by 9 November 2009.

Source: Productivity Commission media release (15 October 2009).

Productivity Commission - 'Contribution of the Not-for-Profit Sector Draft Inquiry Report'

This draft Inquiry Report proposes reforms in the not-for-profit sector to consolidate governance, taxation, and fundraising regulatory requirements to reduce compliance costs and improve service delivery efficiency and effectiveness.

The report makes a number of draft recommendations aimed at:

- consolidating regulatory oversight and enhancing public transparency through a 'one-stop-shop' for Commonwealth-based regulation in the form of a Registrar for Community and Charitable Purpose Organisations
- building a better knowledge base through a national measurement framework and a Centre for Community Service Effectiveness for the promotion of best practice evaluation
- smarter regulation including a more coherent endorsement process for tax status to be administered by the proposed Registrar and a new definition of charitable purpose
- promoting giving through broader scope of gift deductibility, the promotion of planned giving and national harmonised fundraising regulation
- facilitating social innovation and sector development through a variety of initiatives
- reforming government purchasing and contracting arrangements
- building more effective relationships with governments, including through the establishment of an Office for Not-For-Profit Sector Engagement to implement reforms.

The draft report is available on the [Productivity Commission website](#) and submissions are due to the Productivity Commission by 24 November 2009.

Source: Productivity Commission media release (14 October 2009).

Open Budget Survey Findings on Supreme Audit Institutions (SAIs) and Independence

The International Budget Partnership's (IBP's) Open Budget Survey 2008, issued in February 2009, is an independent and comprehensive analysis that evaluates whether central governments give the public access to budget information and opportunities to participate in budget formulation, implementation, and evaluation processes. The survey also examines the ability of legislatures and SAIs to hold their governments accountable.

According to the survey of 85 countries:

- 80 per cent of the world's governments fail to give their citizens the information they need to hold the governments accountable for managing their money
- 50 per cent of the countries surveyed provide such minimal information that they are able to hide unpopular, wasteful, and corrupt spending
- in most of the countries surveyed, several serious constraints undermined the oversight capacity of SAIs (and legislatures)
- countries with the weakest SAIs and legislatures were also the countries that had the least transparent budget systems.

Effective accountability depends not only on transparency (and the public's access to budget information) but also on the strength of institutions like SAIs and legislatures.

For more information, go to the [Open Budget Initiative website](#).

Source: International Journal of Government Auditing, July 2009, Vol. 38, No. 3.

Non-financial Information in Progress: a Guide to the Reporting and Assurance of Non-financial Information in the Public Sector

Royal Nivra (the Dutch organization for the accounting profession) has released the guide 'Non-financial information in progress, a guide to the reporting and assurance of non-financial information in the public sector'. The guide aims to help develop a universal basis for reporting and providing assurance on non-financial information and build on IFAC's International Framework on Assurance Engagements.

The guide is in response to the growing demand for non-financial information, especially by public sector users, and because reporting of non-financial effects is still comparatively new, and no generally accepted principles are yet available. Also, the audit of non-financial information is a new audit subject for many auditors.

The guide is available on the [Nivra website](#).

Source: International Journal of Government Auditing, July 2009, Vol. 38, No. 3.

Australian National Audit Office (ANAO) Publications

The publications below are available on the [ANAO website](#).

- Panel Discussion - Different Perspectives of Public Sector Governance - Asia and Australia.
- Administration of Grants by the National Health and Medical Research Council.
- The Australian Taxation Office's Implementation of the Change Program: a strategic overview.

Office of the Auditor-General for Western Australia Publications

The publications below are available on the [WA Audit Office website](#).

- Adult Community Mental Health Teams: Availability, Accessibility and Effectiveness of Services.
- Third Public Sector Performance Report 2009 (Regulation of Firearms; Managing Staff Attendance in the Public Sector; and Evaluation in Government).

New Zealand Office of the Auditor-General Publications

The publications below are available on the [AOG website](#).

- Annual Report 2008-09.
- Ministry of Social Development: Changes to the case management of sickness and invalids' beneficiaries.
- Ministry of Education: Managing support for students with high special educational needs.

Queensland Audit Office Presentation

The presentation below is available on the [QLD Audit Office website](#).

- Client Information Session - Performance Management System Audit Update.

Tasmanian Audit Office Publications

The publications below are available on the [TAS Audit Office website](#).

- Special Report No. 83 - Communications to the Tasmanian Education Foundation.
- Special Report No. 84 - Funding the Tasmanian Education Foundation.

Victorian Auditor-General's Office Presentations

The presentations below are available on the [VAGO website](#).

- Presentation to ANZSOG Executive Master of Publication Administration - 'Parliament's Auditor: Role and Perspectives'.
- Presentation to Australian Evaluation Society - 'Practice and principles: lessons from contemporary public sector audit in Victoria'.

Independent Commission against Corruption (ICAC) Publications

The publications below are available on the [ICAC website](#).

- Investigation into the misuse of Sydney Ferries corporate credit cards.
- Corruption Matters Issue No. 34.
- Fact sheet - Explaining the ICAC's decision.

Independent Pricing and Regulatory Tribunal (IPART) Publications

The publications below are available on the [IPART website](#).

- Indec Final Report - Total cost review of regular bus services operated in Sydney's four largest regions.
- LECG Final Report - Value of Sydney bus externalities and optimal Government Subsidy.
- Draft Report and Draft Determinations - Review of fares for metropolitan and outer metropolitan bus services from January 2010.

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 [Audit Office of New South Wales website](#).

Title of Guide	Date issued
Monitoring and Reporting on Audit Recommendations	May 2009
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	3 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
Debtors Administration	September 1996
Administration of Grants	December 1995
Joint operations in the Education Sector	September 1995
Fraud Control: developing an effective strategy	
Volume 1: conceptual framework	March 1994
Volume 2: strategy	March 1994
Volume 3: diagnostics	March 1994
Volume 4: Fraud control self audit kit	March 1998

ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AIFRS/AEIFRS	Australian Equivalents to International Financial Reporting Standards
APRA	Australian Prudential Regulation Authority
ASA	Australian Auditing Standard
ASEA	Australian Standard on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASAE	Australian Standard on Review Engagements
AOSSG	Asian-Oceanian Standard Setters Group
AUASB	Auditing and Assurance Standards Board
BRCWG	Business Regulation and Competition Working Group
ED	Exposure Draft
FASB	Financial Accounting Standards Board (USA)
FCAG	Financial Crisis Advisory Group
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
IASC	International Accounting Standards Committee
IASCF	International Accounting Standards Committee Foundation
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
IVSC	International Valuation Standards Council
PCAOB	Public Company Accounting Oversight Board

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 New South Wales 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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