

AWARENESS

Accounting and Auditing Developments - ISSUE 10 - DECEMBER 2009

AUDIT OFFICE UPDATE

Auditor-General's Report to Parliament: Volume Six 2009 - Human Services and Technology

This report includes comments on the financial audits of New South Wales Government human services and technology agencies.

Our findings include:

- The departments of Community Services, Ageing Disability and Home Care, the Home Care Service of New South Wales and NSW Business Link all have some weaknesses in accounting processes and controls that needs to be addressed promptly.
- Salary overpayments for workers at Ageing Disability and Home Care now total \$1.6 million, a rise of \$500,000 on last year. \$1.3 million of this is unlikely to be recovered. It has also issued \$48.0 million of grants to non-government organisations without proper agreements, increasing the risk of agreed services not being provided and unspent money not being returned.
- Two recently completed New South Wales Government buildings cost significantly more than they are worth. One in Queanbeyan cost \$34.5 million and is valued at \$24.3 million, the other in Penrith cost \$43.5 million and is valued at \$26.5 million.
- Child protection remains a challenging issue for the Department of Community Services (DOCS) with increasing rates of notifications. Total child protection reports to DOCS have increased by 43 per cent over the last five years and the number of reports referred for further assessment rose by 62 per cent. The rate of notifications for children up to 16 years old continues to be well above the national average.

Further information

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

Auditor-General's Report to Parliament: Volume Seven 2009 - Environment, Climate Change and Water

This report includes comments on the financial audits of New South Wales Government environment, climate change and water agencies.

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THE AUDIT OFFICE
OF NEW SOUTH WALES

Our findings include:

- Large New South Wales Government computer projects continue to cost more than budget and run behind schedule. Sydney Water's customer management system is now expected to cost \$55.0 million, more than double its original budget of \$21.0 million and one and half years behind schedule. Another is now expected to cost \$31.0 million, substantially more than its original budget of \$18.0 million and is a year behind schedule.
- The estimated cost for the proposed Tillegra Dam project has increased from \$342 million to \$406 million.
- The Department of Environment and Climate Change completed 97 prosecutions for environmental protection offences resulting in fines and penalties of \$1.6 million. In the previous year there were 125 prosecutions totalling \$454,698.
- Fourteen agencies have not complied with their obligations to report to the Department of Environment and Climate Change on how they recycle and reuse waste.
- The Department of Water and Energy is not issuing timely invoices for water usage on farms.

Further information

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

Auditor-General's Report to Parliament: Volume Eight 2009 - Emergency Services & Law and Order

This report includes comments on the financial audits of New South Wales Government emergency services and law and order agencies.

Key challenges for the New South Wales Government include:

- excessive overtime payments to staff at the Department of Corrective Services. This cost the Government over \$40.0 million, with one employee paid \$77,380 in overtime payments in the year
- the Attorney General's Department has not processed over \$150 million worth of victims' compensation claims. This represents more than two and a half years of claims and is largely due to the Department restricting the amount of claims processed to the money available
- funding concerns over the NSW Police Force's Death and Disability Scheme. The scheme liability increased by nearly five times from \$29.0 million in 2006 to \$147 million in 2009.

Other findings in the report include:

- other than the rise of theft from retail stores by just over six per cent, there were no significant increases in major crime
- in New South Wales, more people return to prison within two years of release than the national average and it costs more to keep them there
- only one quarter of the 672,794 people who did not vote in the 2008 New South Wales Local Government Election were fined
- State volunteers gave almost 400,000 hours of their time supporting emergency services.

Further information

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

Auditor-General's Report to Parliament: Volume Nine 2009 - Education and Communities

This report includes comments on the financial audits of New South Wales Government education and community agencies.

Key challenges for the New South Wales Government include:

- a loss of key teaching skills with large numbers of teachers due to retire soon. 44 per cent of school teachers are aged 50 years and over
- school retention rates in New South Wales remained stable at about 65 per cent, but are still below the national average
- TAFE's maintenance backlog increased to \$37.6 million from \$27.7 million last year
- spending per student hour decreased by 18 per cent since 2004
- operational shortcomings at the Sydney Opera House, including critical problems with stage machinery.

Other findings include:

- the maintenance backlog at New South Wales public schools has reduced. An additional \$31.6 million enabled the Department of Education and Training to reduce the maintenance backlog by more than half. The backlog is now at \$21.3 million, down from \$50.8 million last year
- the average annual funding per student at Government schools increased by just over six per cent from - \$10,162 to \$10,816
- New South Wales school students achieved higher literacy and numeracy results than the national average in the National Assessment Program.

Further information

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

Auditor-General's Report to Parliament: Volume Ten 2009 - Transport, Planning and Industry

This report includes comments on the financial audits of New South Wales Government transport, planning and industry agencies.

Key challenges for the Roads Traffic Authority (RTA) and RailCorp are excessive overtime and a reliance on contractors.

In 2008-09, the RTA spent \$64.2 million on contractors. Contractors increased substantially to 800 from 600 in the previous year. The RTA continues to engage contractors for longer than one year, with some contractors engaged for over 20 years. The highest overtime earners at the RTA continue to earn substantial amounts of overtime, with one employee receiving \$114,000 in overtime payments in 2008-09.

RailCorp has about 690 contractors, with nearly a quarter costing more than \$1,000 per day. Overtime payments reached \$126 million with more than 360 employees being paid 50 per cent or more of their annual salary in overtime.

Other findings include:

- Victoria Road was the only road of Sydney's seven major routes where average speeds fell in the morning peak - falling from 23 to 21 km/hr
- most of the recent rail fleet carriage acquisitions have been late or are running behind schedule. The largest contract for 626 new carriages is expected to start delivering carriages in 2010 through to February 2014. The delivery of the final carriages has already been delayed by five months
- on-time running continues to improve. All lines except the Northern line met or exceeded the 92 per cent target
- while loads on trains have recently trended downwards, crowding remains the biggest concern for the commuters with over 50 per cent of passengers not happy about crowding.

Further information

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

Auditor-General's Report to Parliament: Government Advertising

About the audit

The important role played by government advertising can be undermined by any suggestion that it serves party political interests.

Government advertising is a perennial issue for Auditors-General. Of all the things that agencies spend public funds on, advertising is one that attracts controversy and public debate. Governments may legitimately use public funds to inform the public of their obligations, rights and entitlements and to explain policies, programs or services. In 2008-09, the New South Wales Government spent \$101.7 million on government advertising.

The Audit Office previously examined government advertising in 1995 and in 2007. These performance audit reports contained a number of recommendations to improve guidance to agencies and strengthen the approval process.

Nevertheless, concerns remain about whether campaigns comply with the New South Wales Government Advertising Guidelines (the Guidelines).

In this audit we reviewed the following government advertising campaigns:

- the NSW Public Sector Cadetship (NSW Cadetship) campaign and the Investing in a Better Future (Better Future) campaign, both undertaken by the Department of Premier and Cabinet (DPC)
- the Winter 2009 (Influenza) campaign and the Tobacco legislation change (Smoking in Cars with Kids) campaign, both undertaken by NSW Health.

We examined whether:

- the campaigns had followed required approval processes and were appropriate
- statements made in the Better Future campaign were substantiated.

Audit conclusion

The revised Guidelines, which incorporate recommendations from earlier audit reports, are a positive step towards reducing the risk that publicly funded advertising could be used inappropriately. But there are still parts of the Guidelines that require a subjective judgement and therefore do little to help manage this risk.

We found that the two NSW Health campaigns had followed the required approval processes and were appropriate. We had some concerns with the two DPC campaigns.

The NSW Cadetship campaign featured a photograph of the former Premier. We consider there is a high risk that a reasonable person could judge this campaign as serving party political interests.

The Guidelines require campaigns over \$50,000 to be subject to independent peer review and approval by Cabinet. The NSW Cadetship recruitment campaign had a budget of around \$80,000. Currently, recruitment campaigns are exempt from peer review and do not require Cabinet approval regardless of their budget.

In the Better Future campaign there is a problem with the statements made. The campaign stated that the New South Wales Government is investing \$62.9 billion over the next four years and will support up to 160,000 jobs each year.

We found that while these statements could be substantiated using the model adopted by The Treasury, they could also be misleading. According to The Treasury, the jobs are not all located in New South Wales as implied in the advertisements, but rather Australia-wide.

Our other concerns with the DPC campaigns included the size of the advertising budget, the lack of documented approvals and accountability for decisions.

It could be seen that the budget of \$1.9 million for the Better Future campaign (actual cost \$1.17 million) was excessive in relation to its objective which was to provide information about the Government's state-wide building and jobs initiatives. This was apparent when the campaign was compared to both NSW Health campaigns which had similar target audiences but budgets of less than \$500,000 each.

In regard to approvals, chief executives must approve advertising campaigns and ensure they comply with the Guidelines. However, we could not find written approval for the Better Future campaign. DPC did subsequently report that verbal approval had been given by the chief executive to develop the campaign.

We also noted that in both DPC campaigns, members of the former Premier's staff made key decisions. We consider that this level of involvement was not appropriate.

For example, the advertisement proposed by DPC for the NSW Cadetship campaign did not use the former Premier's photograph. However, at the request of a member of the former Premier's staff, the advertisement was changed to include the former Premier's photograph as well as a quote from the former Premier.

We also found that the design and implementation of the Better Future campaign was decided by another member of the former Premier's staff.

The role of Ministers and their staff in making decisions about government advertising is not covered in the Guidelines.

This is in contrast to the Commonwealth whose Guidelines define the roles and responsibilities of parties. In addition, the chief executive must confirm that the campaign:

- has been informed by departmental analysis and research
- reflects the chief executive's views which are independent of Ministerial direction.

This degree of separation does not exist in New South Wales.

DSTA has published on its website a list of advertising topics with the aggregate cost of media placement. This information is of limited value. This falls short of what we recommended in our 2007 report which was that DSTA report individual campaigns and their proposed cost.

Recommendations

We made a series of recommendations designed to improve guidance, transparency and accountability for publicly funded advertising.

In particular, that chief executives certify in writing:

- that the proposed campaign complies with the Guidelines and relevant government policies
- that the purpose and need for the campaign has been supported by departmental analysis and appropriate research
- confirmation that the campaign proposal reflects their views which are independent of any Ministerial direction on campaign design and implementation.

Further information

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

Public Accounts Committee: Fourth Report on the Examination of the Auditor-General's Performance Audits

In this report, the Public Accounts Committee (PAC) examined the following Auditor-General's Performance Audit reports.

Ageing Workforce - Teachers

The public examination of how the Department of Education and Training (the Department) was responding to the performance audit on the ageing teacher workforce caused the Department to rethink a number of its rejections of the Auditor-General's recommendations, and to conclude that their implementation was in the public interest.

Efficiency of the Office of the Director of Public Prosecutions (the Office)

The PAC's examination of this performance audit found that the Office was making good progress in implementing the Auditor-General's recommendations.

Working with Hotels and Clubs to Reduce Alcohol-Related crime

The PAC was pleased to see that the Office of Liquor, Gaming and Racing and the NSW Police Force were implementing the Auditor-Generals' recommendations on working with hotels and clubs to reduce alcohol-related crime.

Further information

The full report is available on the [NSW Parliamentary website](#).

Source: PAC Report No. 7/54 (170) (29 October 2009).

Public Accounts Committee: Annual Review 2008-09

In 2008-09, the PAC tabled the following:

- Report on Examination of the Auditor-General's Performance Audits tabled July 2006 to March 2007
- Annual Review 2007-08
- Report on State Plan Reporting
- Report on Examination of the Auditor-General's Performance Audits tabled March to August 2007
- Report on Examination of the Auditor-General's Performance Audits Tabled November 2007 to March 2008.

Further information

The full report is available on the [NSW Parliamentary website](#).

Source: PAC Report No. 8/54 (171) (29 October 2009).

ACCOUNTING UPDATE

Australian Accounting Standards Board (AASB)

AASB 9 'Financial Instruments'

This standard reflects IASB 9 'Financial Instruments' and aims to simplify the classifications of financial assets into those to be carried at amortised cost and those to be carried at fair value. The standard flows from the first stage of the International Accounting Standards Board reform of IAS 39 'Financial Instruments: Recognition and Measurement'.

It also simplifies requirements for embedded derivatives and removes tainting rules associated with held-to-maturity assets.

[AASB 9](#) is available for early adoption for periods ending on or after 31 December 2009 and is required for application for periods beginning on or after 1 January 2013.

Source: AASB [media release](#) (9 December 2009).

ED 189 'Financial Instruments: Amortised Cost and Impairment'

This exposure draft reflects IASB ED 2009/12 'Financial Instruments: Amortised Cost and Impairment'.

ED 2009/12 seeks to clarify the amortised cost model and improve the approach to measuring and reporting impairment for a financial asset measured at amortised cost.

ED 189 is available on the [AASB website](#) and submissions to the AASB are due by 17 May 2010. Submissions to the IASB on ED 2009/12 are due by 30 June 2010.

Source: Accounting & Assurance News Today, Issue 47 (27 November 2009).

ED 190 'Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters (proposed amendments to AASB 1)'

This exposure draft reflects IASB ED 2009/13 'Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (proposed amendments to IFRS 1)'.

ED 2009/13 seeks to include transition provisions for first-time adopters consistent with the transition provisions in IFRS 7 'Financial Instruments: Disclosures'.

ED 190 is available on the [AASB website](#) and submissions to the AASB were due by 9 December 2009. Submissions to the IASB on ED 2009/12 are due by 29 December 2009.

Source: AASB ED 190.

Consultation Paper 'Differential Financial Reporting - Reducing Disclosure Requirements'

This consultation paper proposes that the disclosures under full International Financial Reporting Standards (IFRSs) as adopted in Australia - which include domestic and not-for-profit specific standards - would only need to be followed by publicly accountable entities in the for-profit private sector and specified major reporting entities in the public sector. All other entities, that is, 'tier 2' entities, would be able to apply substantially reduced disclosure requirements.

In the public sector, entities not otherwise required by the AASB to apply full IFRSs as adopted in Australia would have the choice of using the requirements of the proposed reduced disclosure regime, depending upon the requirements of the relevant public sector entity regulator.

This consultation paper is available on the [AASB website](#). The comment period is yet to be specified, but will be aligned with an accompanying exposure draft expected to be released between December 2009 and February 2010. The AASB plans to issue amendments to standards, if possible, by June 2010 so entities can elect to early adopt for June year-ends.

Source: [AASB media release](#) (4 December 2009).

AASB Website Changes

The AASB streamlined its tables of pronouncements (AASB Standards, Interpretations and IASB support materials) by removing 'Table 2'. This leaves only 'Table 1', which is the most recent version of each pronouncement, including uncompiled amending pronouncements.

Versions of pronouncements not included in Table 1 can still be found by using the [browse for pronouncements](#) function to get a listing equivalent to Tables 1 and 2 combined. The [search by reporting period](#) function will provide a list of pronouncements relevant to a nominated reporting period from 1 January 2005. IASB support materials are linked to each version of the pronouncements.

The deletion of Table 2 is in preparation for the addition to the website of about 160 new compilations, covering various reporting periods beginning on or after 1 January 2009. Only the latest version of each compilation will appear in the Tables, but all versions will be accessible from the other search functions. The new compilations will be added to the website progressively.

Source: [AASB News](#) (17 November 2009).

AUDITING UPDATE

Auditing and Assurance Standards Board (AUASB) Pronouncements

GS 015 'Audit Implications of Accounting for Investments in Associates'

This Guidance Statement will assist auditors with audit implications arising from the application of Accounting Standard AASB 128 'Investments in Associates' and the application of the equity method.

GS 015 is operative from 24 November 2009 and replaces AGS 1032 'The Audit Implications of Accounting for Investments in Associates'.

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

Source: Accounting & Assurance News Today, Issue 47 (27 November 2009).

ETHICS UPDATE

Accounting Professional and Ethical Standards Board (APESB)

Revised APES 315 'Compilation of Financial Information'

Revised APES 315 includes the following amendments:

- paragraph 3.5 has been elevated to a mandatory requirement to achieve consistency with the reporting requirements
- a cross reference to the professional obligations in respect of confidentiality contained in section 140 of APES 110 'Code of Ethics for Professional Accountants' is included as a new paragraph 3.6
- the terminology relating to income statement and balance sheet amended to statement of comprehensive income and statement of financial position to reflect the requirements of revised AASB 101 'Presentation of Financial Statements'
- square brackets added to references to components of the financial statements in Example 2 of Appendix 1 to signify that these components are only examples and members need to tailor the compilation report to suit the requirements of the relevant entity and the engagement.

Revised APES 315 is effective for engagements commencing on or after 1 January 2010.

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

Source: APESB media release (1 December 2009).

APESB Meeting Highlights - 16-17 November 2009

At its meeting, the APESB discussed the following:

- APES 350 'Participation by Members in Public Practice in Due Diligence Committees in Connection with a Public Document' - to be issued in December 2009 subject to further minor redrafting
- APES 110 'Code of Ethics for Professional Accountants' - annual review
- APES 205 'Conformity with Accounting Standards' - annual review
- APES 210 'Conformity with Auditing and Assurance Standards' - annual review
- APES 220 'Taxation Services' - annual review
- APES 305 'Terms of Engagement' - annual review
- APES 315 'Compilation of Financial Information' - revised standard to be issued effective from 1 January 2010
- APES 325 'Risk Management' - further consideration of the strategic aspects of the standard such as application to different practice sizes is required
- APES 110 'Code of Ethics for Professional Accountants' - to issue a consultation paper seeking views on issues pertaining to the update of the requirements of APES 110 into alignment with the IFAC Code reissued in July 2009. The closing date is 29 January 2010.

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

Source: APESB meeting highlights (16-17 November 2009).

LEGISLATIVE UPDATE

Public Sector Restructure (Miscellaneous Acts Amendments) Act 2009

The object of this Act is to amend various Acts as a consequence of the 'Public Sector Employment and Management (Departmental Amalgamations) Order 2009' and to implement further administrative reforms in relation to the public sector. Most of the amendments made by this Act either update references to various Divisions of the Government Service (or to positions in the Government Service), or rationalise the way in which certain Acts are administered because of amalgamations.

This Act was assented on 30 November 2009.

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

Source: NSW Parliamentary website.

Statute Law (Miscellaneous Provisions) Bill (No 2) 2009

The objects of this Bill are to make minor amendments to various Acts and instruments, repeal certain Acts and provisions of Acts and to make other provisions of a consequential or ancillary nature. Amendments affect the following Acts:

- *Associations Incorporation Act 2009* No 7
- *Building Professionals Act 2005* No 115
- *Building Professionals Amendment Act 2008* No 37
- *Commission for Children and Young People Act 1998* No 146
- *Dangerous Goods (Road and Rail Transport) Act 2008* No 95
- *Environmental Planning and Assessment Act 1979* No 203
- *Environmental Planning and Assessment Amendment Act 2008* No 36
- *Fisheries Management Act 1994* No 38
- *Industrial Relations Amendment (Jurisdiction of Industrial Relations Commission) Act 2009* No 32
- *Interpretation Act 1987* No 15
- *Local Government Act 1993* No 30
- *Marine Safety Act 1998* No 121
- *Protection of the Environment Operations Act 1997* No 156
- *Public Finance and Audit Act 1983* No 152
- *Rail Safety Act 2008* No 97
- *Retirement Villages Amendment Act 2008* No 121
- *Road Transport (Safety and Traffic Management) Act 1999* No 20
- *Strata Schemes Management Act 1996* No 138
- *Travel Agents Act 1986* No 5
- *Water Management Act 2000* No 92.

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

Source: NSW Parliamentary website.

Trustee Companies Amendment Bill 2009

The object of this Bill is to amend the *Trustee Companies Act 1964* consequentially on the enactment and commencement of the *Corporations Legislation Amendment (Financial Services Modernisation) Act 2009*. The Bill:

- removes the State approval mechanism for trustee companies and defines trustee companies as licensed trustee companies under the Corporations Act
- omits provisions that will be unnecessary when the proposed amendments to the Corporations Act take effect or that are inconsistent with that Act
- facilitates the transfer of a trustee company's business to another licensed trustee company when its licence is cancelled under the Corporations Act
- provides for the making of transitional regulations and makes savings and transitional provisions to facilitate the transition to the new regime
- makes consequential amendments to the Trustee Companies Regulation 2005 and various Acts.

Background

In July 2008, the Council of Australian Governments agreed that the Commonwealth would assume responsibility for the regulation of trustee companies. Schedule 2 to the *Corporations Legislation Amendment (Financial Services Modernisation) Act 2009* amends the *Corporations Act 2001* to give effect to the Commonwealth regulation of trustee companies. Under the new regime, the Commonwealth will have exclusive responsibility for 'entity' level regulation of trustee companies' traditional services, including licensing of the companies and regulating the fees they can charge for those traditional services. The *Trustee Companies Act 1964* and the rules of common law and equity, will continue to govern the functions and powers of trustee companies in New South Wales.

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

Source: NSW Parliamentary website.

Exposure Draft - Corporations Amendment (Corporate Reporting Reform) Bill 2010

The Minister for Financial Services, Superannuation and Corporate Law released this exposure draft, the associated regulations, commentary to explain the proposed amendments, and the draft Regulation Impact Statement.

The proposed reforms comprise of a range of measures to improve Australia's corporate reporting framework by reducing unnecessary red tape and regulatory burden on companies and implementing a number of other important refinements to the regulatory framework.

The key measures to reduce red-tape include:

- introducing a three-tiered differential reporting framework to reduce the regulatory burden on companies limited by guarantee (which typically have a not-for-profit purpose)
- streamlining parent-entity reporting
- changing the dividends test to a more flexible test based on solvency
- allowing companies more flexibility in changing their year-end date.

The reforms will also implement refinements to the regulatory framework, including:

- improving disclosure of non-financial information in the directors' report
- protecting solicitors' representation letters from disclosure to enable auditors to properly verify a company's contingent liabilities
- refining the statement of compliance with IFRS contained in the directors' declaration
- clarifying the circumstances in which a company can cancel its share capital.

The exposure draft is available on the [Treasury website](#) and submissions are due by 3 February 2010.

Source: Accounting & Assurance News Today, Issue 48 (4 December 2009).

Consumer Credit Reforms

The Commonwealth Government's national consumer credit protection reform package has passed the Senate. These reforms, incorporating the National Consumer Credit Protection and Financial Services Modernisation Bills will see the creation of a single standard, national law for the regulation of consumer credit, commencing on 1st July 2010. In addition to replacing the state based 'Uniform Consumer Credit Code' with a National Credit Code, there will be new consumer protections and regulation put in place for margin loans and a national regulation of trustees and debentures.

For more information, go to the [Federal Consumer Credit website](#). The entire package of Bills, Regulations and related explanatory material is available on the [Treasury website](#).

Source: Accounting & Assurance News Today, Issue 45 (13 November 2009).

CLIMATE CHANGE UPDATE

Carbon Pollution Reduction Scheme (CPRS)

The Commonwealth Government has released updated draft regulations for the Carbon Pollution Reduction Scheme (CPRS). The updated regulations include the second group of activities to be eligible for assistance under the emissions intensive, trade exposed (EITE) assistance program.

The Government has also today released draft regulations to deliver partial exemptions from Renewable Energy Target (RET) liability to all activities that would qualify for the EITE assistance under the CPRS.

The Government is seeking feedback from stakeholders on the draft CPRS and RET regulations by Monday 11 January 2010.

The draft regulations and accompanying commentary, along with details of the consultation process, are also available on the Department of Climate Change website at www.climatechange.gov.au

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

Source: Minister for Climate Change Media Release (9 December 2009).

Emissions Reporting Update

More than 600 corporations have reported their emissions and energy usage through the Online System for Comprehensive Activity Reporting (OSCAR). The information gathered will form the foundation for the Carbon Pollution Reduction Scheme and will be published on 28 February 2010.

The threshold level for 2009-2010 reduces to 87,500 tonnes (or 350 TJ of energy), which will capture a larger number of corporations). Corporations meeting the new threshold level are encouraged to [register](#) before the 31 August 2010 deadline.

More information is available in the November [NGER eNews](#).

Source: Accounting & Assurance News Today, Issue 47 (27 November 2009).

FINANCIAL REPORTING COUNCIL (FRC) UPDATE

FRC Meeting Highlights - October 2009

The FRC hosted a high-level delegation from Japan at its meetings. The principal features of the numerous meetings were:

- reports from and discussions with stakeholder bodies in Sydney, Canberra and Melbourne
- the consensus that the process of adopting IFRS had a 'soft landing' in Australia
- promotion of IFRS in the Asia-Pacific region and of a regional perspective.

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

Source: FRC Bulletin 2009/6 (October 2009).

FRC Annual Report 2008-2009

The FRC Annual Report for 2008-2009 is available on the [FRC website](#).

AUSTRALIAN SECURITIES & INVESTMENTS COMMISSION (ASIC) UPDATE

Consultation Paper 124 'Directors' Duty to Prevent Insolvent Trading: Guide for Directors'

The Corporations Act imposes a positive duty on directors to prevent insolvent trading. This consultation paper sets out the relevant legal background to the duty to prevent insolvent trading and the key principles that ASIC considers directors need to take into account in performing their duty to prevent insolvent trading.

The guidance includes information about ASIC's approach to insolvent trading and describes some of the factors ASIC will take into account, and the evidentiary material it will look at, in assessing whether there has been a breach of the insolvent trading provisions.

Consultation paper 124 is available on the [ASIC website](#) and submissions to ASIC are due by 22 January 2010.

Source: ASIC advisory [09-236AD](#) (24 November 2009).

ASIC Liaison Meeting Highlights - 12 November 2009

At its meeting, ASIC discussed:

- ASIC's financial report surveillance program
- ASIC's audit surveillance program
- International regulatory developments
- Standard Business Reporting (SBR) update
- Auditor resignation and removal.

Source: Accounting & Assurance News Today, Issue 48 (4 December 2009).

THE TREASURY UPDATE (NEW SOUTH WALES GOVERNMENT)

Treasury Pronouncements

The following recent Treasury Circular and Policy Paper are available at www.treasury.nsw.gov.au.

[TC 09/11](#) '*Financial Distribution Policy*'

The Treasury has released a revised edition of the 'Financial Distributions Policy for Government Businesses' (TPP09-6).

The key purpose of TPP 09-06 is for the Government to receive an appropriate return on its equity investment in its portfolio of Government businesses in the form of dividend payments or capital repayments.

TPP 09-06 will supersede and withdraw the previous version TPP02-3 from 1 July 2010. TPP02-3 was revised to refine its scope, promote greater consistency in its implementation and to address changes in accounting standards.

TPP 09-06 will form the basis of discussions for the negotiation of dividends payable for the 2010-11 financial year and beyond. It applies to all Government businesses with the exception of business units of not-for-profit agencies.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

IFRS 9 'Financial Instruments'

The IASB issued this standard to complete the first part of a three-part project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The IASB will further consider the classification and measurement of financial liabilities and expects to issue final requirements during 2010.

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

Source: IASB media release (12 November 2009).

IASB Meeting Highlights - 16-20 November 2009

At its meeting, the IASB discussed the following:

- Emissions Trading Schemes
- IFRIC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'
- IFRIC Update
- Income taxes
- Insurance contracts
- Leases
- Liabilities
- Post-employment benefits
- Proposed amendments to IFRS 1
- Revenue Recognition
- SAC Update.

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

Source: IASB update (November 2009).

International Financial Reporting Interpretations Committee (IFRIC)

IFRIC Interpretation 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'

The IASB amended IFRIC 14 requirements on accounting for pension plans. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits such an entity to treat the benefit of such an early payment as an asset.

The amendment has an effective date for mandatory adoption of 1 January 2011, with early adoption permitted.

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

Source: IASB news release (26 November 2009).

IFRIC Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'

This interpretation clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially (debt for equity swaps).

IFRIC 19 clarifies that:

- the entity's equity instruments issued to a creditor are part of the consideration paid to extinguish the financial liability
- the equity instruments issued are measured at their fair value. If their fair value cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished
- the difference between the carrying amount of the financial liability extinguished and the initial measurement amount of the equity instruments issued is included in the entity's profit or loss for the period.

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010, with early adoption permitted.

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

Source: IASB press release (26 November 2009).

IFRIC Meeting Highlights - 5-6 November 2009

At its meeting, the IFRIC discussed the following:

- Accounting for production stripping costs
- Extinguishing financial liabilities with equity instruments
- Agenda decisions:
 - IFRS 3 'Business Combinations' - measurement of NCI
 - IFRS 3 'Business Combinations' - unreplaced and voluntarily replaced share-based payment awards
 - IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' - write-down of a disposal group
 - IAS 23 'Borrowing Costs' - meaning of general borrowings
- Tentative agenda decisions:
 - IFRS 2 'Share-based Payment' - transactions in which the manner of settlement is contingent on future events
 - IAS 18 'Revenue' - receipt of a dividend of equity instruments
 - IAS 27 'Consolidated and Separate Financial Statements' - combined financial statements and redefining the reporting entity
 - IAS 27 'Consolidated and Separate Financial Statements' - presentation of comparatives when applying the pooling of interests method
 - IAS 32 'Financial Instruments: Presentation' - application of the fixed-for-fixed condition
 - IAS 38 'Intangible Assets' - amortisation method.

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

Source: IFRIC update (November 2009).

International Auditing and Assurance Standards Board (IAASB)

Audit Practice Alert 'Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements'

This new audit practice alert aims to help auditors use external confirmations procedures more effectively.

The alert highlights areas within the International Standards on Auditing (ISAs) that are particularly relevant when deciding to request external confirmations, designing and carrying out confirmation procedures, and evaluating responses received. It also raises awareness of potential issues that may surface from the increasing use of technology in the confirmation process and the use of restrictive language by respondents.

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

Source: IAASB media release (5 November 2009).

International Public Sector Accounting Standards Board (IPSASB)

Consultation paper 'Reporting on the Long-Term Fiscal Sustainability of Public Finances'

This consultation paper seeks views on how information on the long-term fiscal sustainability of government programs may complement information available in traditional financial statements, thereby increasing transparency and enhancing accountability and decision-making.

This consultation paper is a response to the growing concern about the ability of governments to meet future service delivery and financial commitments for health, pensions, debt-servicing and other obligations in the current economic environment. Uncertainty over the long-term financial consequences of government interventions, including bailouts and stimulus packages, requires the need for understandable information to allow citizens to evaluate the scale of fiscal challenges facing governments. The consultation paper seeks views on how such information might be reported.

This consultation paper is available on the [IFAC website](#) and submissions to the IFAC are due by 30 April 2010.

Source: Accounting & Assurance News Today, Issue 47 (27 November 2009).

Other International Updates

G20 Finance Ministers Meeting Highlights - 7 November 2009

At its meeting, the G20 noted the economic and financial improvements that occurred worldwide as a result of previous policies. To ensure ongoing economic stability, the G20 also announced that they would have a continued and strengthened commitment to global economic cooperation as well as to the issue of climate change.

These commitments will be structured through the launch of a 'G20 Framework for Strong, Sustainable and Balanced Growth', which will involve a new consultative mutual assessment process to evaluate whether policies are collectively delivering the agreed objectives.

As part of the new framework, the G20's global financial reform agenda includes promoting:

- strengthened prudential regulation with the development of new standards by 2010 (to be implemented by 2012)
- adoption by individual nations and firms of the Financial Stability Board's (FSB) standards on compensation practices endorsed at the Pittsburgh summit
- more effective management of the size of financial institutions
- tax transparency and improved information exchange.

For more information, the G-20 has issued a [communiqué](#) and [progress report](#).

Source: Accounting & Assurance News Today, Issue 47 (27 November 2009).

First Asian-Oceanian Standard-Setters Group (AOSSG) Meeting - 4-5 November 2009

At its meeting, the AOSSG adopted a MOU with the following four objectives:

- promoting the adoption of, and convergence with, International Financial Reporting Standards (IFRSs) by jurisdictions in the region
- promoting consistent application of IFRSs by jurisdictions in the region
- coordinating input from the region to the technical activities of the International Accounting Standards Board (IASB)
- co-operating with governments and regulators and other regional and international organisations to improve the quality of financial reporting in the region.

Technical issues discussed included:

- IAS 39 'Financial Instruments: Recognition and Measurement and Impairment'
- revenue recognition
- fair value measurement
- financial statement presentation.

For more information, go the AOSSG [Communiqué](#).

Source: AOSSG Press Communiqué (4-5 November 2009).

MISCELLANEOUS PUBLICATIONS

Financial management of not-for-profit organisations

This guide, published by CPA Australia, outlines the key financial aspects not-for-profit organisations should focus on to ensure that good financial management and the delivery of a socially valuable service in a financially sound manner.

This new guide aims to assist organisations understand how their financial position can play a key role in the successful provision of not-for-profit services.

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

Source: CPA Australia, technical resources (4 December 2009).

Final Report of Public Bodies Review Committee - Environmental Impact Reporting in the New South Wales Public Sector

In this report, the Committee recommended that:

- all elements of the Sustainability Policy be extended to all public sector agencies.
- public sector agencies report to Parliament, as part of their annual report, on their environmental performance under the Sustainability Policy
- the Government establish a program to support the implementation of environmental management systems within public bodies (or similar systems that are integrated into business management systems) to measure and review performance
- environmental performance of agencies be independently audited
- the New South Wales Audit Office be empowered to audit environmental performance information contained in public sector annual reports
- the Government initiate an independent review of the effectiveness of the New South Wales Government Sustainability Policy after three years of its operation
- the above review should include an assessment of the Policy against the principles in the Global Reporting Initiative.

The report is available on the [NSW Parliament website](#).

Source: NSW Parliament website, Report No.2/54 (8 September 2009).

Australian National Audit Office (ANAO) Publications

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

- Better Practice Guide - Innovations in the Public Sector.
- AusAID's Management of the Expanding Australian Aid Program.
- Agencies' Contract Management.
- 2008-09 Major Projects Report.
- Administration of Youth Allowance.
- Garrison Support Services.
- Processing of Incoming International Air Passengers.
- Airservices Australia's Upper Airspace Management Contracts with the Solomon Islands Government.

Office of the Auditor-General for Western Australia Publications

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

- Fourth Public Sector Performance Report 2009 (Preliminary Examination of the Royalties for Regions Program; Accountability for Government; and Management of Government Purchasing Cards).
- Audit Results Reports - 2008-09 Assurance Audits.
- Annual Report 2008-2009.

New Zealand Office of the Auditor-General Publications

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

- How the Thames-Coromandel District Council managed leasing arrangements for Council land in Whitianga.
- Auditor-General's decision on parliamentary and ministerial accommodation entitlements.

Queensland Audit Office Publications

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

- Report No. 7 for 2009 - Follow-up on Government Owned Corporation and Budget Sector Performance Measurement and Reporting.
- Report No. 8 for 2009 - Results of Audits at 31 October 2009.
- 2008-2009 Annual Report.

Tasmanian Audit Office Publications

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

- 2008-2009 Annual Report.
- Volume 1 - Government Departments and Other State Entities 2008-2009 - Executive Summary, TAFR, Executive and Legislature, and Government Departments.
- Volume 2 - Government Departments and Other State Entities 2008-2009 - Government Businesses, Superannuation Funds and Other State Entities.
- Special Report No. 85 - Speed-detection devices.
- Special Report No. 86 - Major works procurement: Nation Building projects, Treasurer's Instructions 1299 and 1214.

Victorian Auditor-General's Office Publications

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

- Use of Development Contributions by Local Government.
- Making Public Transport More Accessible for People Who Face Mobility.
- Portfolio Departments and Associated Entities: Results of the 2008-09 Audits.
- Managing Offenders on Community Corrections Orders.
- Vehicle Fleet Management.
- Maintaining the Integrity and Confidentiality of Personal Information.
- Water Entities: Results of the 2008-09 Audits.
- Auditor-General's Report on the Annual Financial Report on the State of Victoria, 2008-09.
- Local Government: Results of the 2008-09 Financial Audits.
- Public Hospitals: Results of the 2008-09 Financial Audits.
- Towards a 'smart grid' – The Roll-Out of Advanced Metering Infrastructure.
- Responding To Mental Health Crises in the Community.
- Management of the Community Support Fund.

Independent Commission against Corruption (ICAC) Publications

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

- Report on corruption in the provision and certification of security industry training.
- Identifying and managing conflicts of interest in the public sector (2009 brochure).
- Managing conflicts of interest in the public sector - Toolkit.
- Managing conflicts of interest in the public sector - Guidelines.
- Annual Report 2008-2009.
- Argyle investigation report (Nov 2009) for web.
- Corruption Matters, Issue No.34, November 2009.

Independent Pricing and Regulatory Tribunal (IPART) Publications

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

- Issues Paper - Review of regulated gas retail tariffs and charges 2010 to 2013.
- Draft Consultation Report - Strategic Management Overview and Review of Operating and Capital Expenditure-f State Water Corporation 2009.
- Final Report - CityRail prices and services report 2009.
- Research Paper - Comparison of financial models - IPART and Australian Energy Regulator.
- Discussion Paper - IPART's cost of capital after the AER's WACC review.
- Discussion Paper - Averaging the WACC parameters for the cost of capital.
- Discussion Paper - Alternative approaches to the determination of the cost of equity.
- Consultant Report - Review of IPART's approach to Incentive Based Regulation - A Report by CEPA.
- Consultant Report - Review of IPART's approach to Incentive Based Regulation - A Report by CEPA - Annex 1-4.

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 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
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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