

Professional update

Accounting and auditing developments |



April 2012

Hot Topic

Handling Conflicts of Interest

Recent and [current investigations](#) by the Independent Commission Against Corruption (ICAC) into conflicts of interest at a number of public sector entities, are timely reminders for organisations to review their policies and procedures regarding conflicts of interest.

In the publication, [Identifying and Managing Conflicts of Interest in the Public Sector](#), ICAC, in conjunction with the Crime and Misconduct Commission (CMC), highlight instances where public officials can have:

- an actual conflict – influenced by their private interests when doing their job
- a perceived conflict – appear to be influenced by private interests when doing their job
- a potential conflict – where they may be influenced in the future by their private interests when doing their job.

It is just as important to manage perceptions and/or potential conflicts of interest as it is to manage actual conflicts of interest. The publication provides:

- useful factors for public officials to consider to help determine whether their public duties and private interests conflict, e.g. financial and economic interests, family or business interests/relationships, secondary employment, affiliations and commitments to political, social or professional bodies, etc
- strategies public officials may adopt to manage conflicts of interest.

The ICAC and CMC have also developed detailed [guidelines](#) and a [toolkit](#) to help public sector organisations develop a framework for managing conflicts.

Guidance is also provided in the newly released Guidance Note [GN 40 'Ethical Conflicts in the Workplace – Considerations for Members in Business'](#) by the Accounting Professional & Ethical Standards Board Limited.

Another useful resource is the [conflicts of interest page](#) in the Public Service on the organisation for Economic Co-operation and Development's (OECD) website, which includes an analysis of conflicts of interest policies in some participating OECD countries, including Australia.

Although conflicts of interests may not be fully avoidable, public sector organisations should have appropriate measures in place to address actual, perceived and potential conflicts to maintain the integrity of, and confidence in, government decision-making.

This edition includes:

- **Handling conflicts of interest**

Contents

Hot Topic	1
Accounting Update	2
Auditing Update	2
Ethics Update	3
Department of Premier and Cabinet	3
The Treasury – NSW Government	3
Australian Securities and Investments Commission (ASIC)	3
Australian Prudential Regulation Authority (APRA)	4
New South Wales Auditor-General	4
New Publications by Other Audit Offices	4
Miscellaneous Resources	4



Accounting Update

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 20–25 March 2012](#)

The IASB and FASB continued discussions on insurance contracts – issues discussed included the unit of account to be used when determining and releasing the residual margin, and the separation of investment components from the insurance contract.

Other topics discussed at the IASB meeting included:

- macro hedge accounting
- post-implementation review of IFRS 8
- effective dates and transition methods for new IFRSs before they are effective
- effectiveness and efficiency of the IFRS Interpretations Committee.

International Update – International Public Sector Accounting Standards Board (IPSASB)

[Exposure Draft 47 ‘Financial Statement Discussion and Analysis’](#)

The IPSASB issued the above exposure draft with the objective of prescribing a consistent basis for the preparation and presentation of financial statement discussion and analysis to assist users in their reading of an entity’s general purpose financial statements.

The comment period closes 31 July 2012.

[IPSASB Meeting Highlights – 12–15 March 2012](#)

Topics discussed by the board included:

- Phases 1 and 2 of the Conceptual Framework project
- responses to the Exposure Draft ‘Key Characteristics of the Public Sector with Potential Implications for Financial Reporting’
- approving the release of Exposure Draft ‘Financial Statement Discussion and Analysis’
- revising the draft Consultation Paper ‘Public Sector Combinations’
- issues relating to the first-time adoption of accrual IPSASs.

International Update – IFRS Interpretations Committee

[IFRIC Meeting Highlights – 13–14 March 2012](#)

The committee discussed the following topics:

- current agenda:
 - IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ – levies charged for participation in a specific market (date of recognition of a liability)
 - IFRIC 12 ‘Service Concession Arrangements’ – payments made by an operator in a service concession arrangement
 - IAS 28 ‘Investments in Associates and Joint Ventures’ – application of the equity method when an associate’s equity changes outside comprehensive income
- IFRS Interpretations Committee agenda decisions and work in progress
- issues considered for Annual Improvements.

Auditing Update

International Update – International Auditing and Assurance Standards Board (IAASB)

[ISA 610 \(Revised\) ‘Using the Work of Internal Auditors’](#)

The IAASB revised ISA 610 to highlight the external auditor’s responsibilities if using the work of the internal audit function in obtaining audit evidence. This standard is effective for periods ending on or after 15 December 2013.

Related changes were made to [ISA 315 \(Revised\) ‘Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment’](#), with effect for periods ending on or after 15 December 2013.

[ISRS 4410 \(Revised\) ‘Compilation Engagements’](#)

The IAASB issued the above revised standard on related services and will be effective for compilation engagement reports dated on or after 1 July 2013.

[IAASB Meeting Highlights – 12–16 March 2012](#)

At this meeting, the IAASB reaffirmed its commitment to revise its standards on auditor reporting.

The IAASB considered recommendations from the Auditor Reporting Task Force, including:

- auditor commentary requirements





- auditor conclusions about audit procedures relating to going concern, and other information in documents containing audited financial statements
- disclosure of the engagement partner's name
- an explanation of the risk-based audit approach.

Other matters discussed included:

- approving the issue of ISAE 3410 'Assurance Engagements on Greenhouse Gas Statements', effective for assurance reports ending on or after 30 September 2013
- considering comments on Exposure Draft ISRE 2400 (Revised) 'Engagements to Review Historical Financial Statements'.

Ethics Update

Australian Update

[APES GN 40 'Ethical Conflicts in the Workplace – Considerations for Members in Business'](#)

The Accounting Professional and Ethical Standards Board (APESB) issued Guidance Note (GN) 40 to address potential conflicts of interest arising from responsibilities to employers, preparation and reporting of information, financial interests and whistleblowing.

It provides examples from commercial, public and not-for-profit sectors such as inappropriate expense claims, preparation and reporting of information, inappropriate capitalisation of research and development costs, satisfying bank's lending criteria, earnings management and non-disclosure.

Department of Premier and Cabinet

[C2012-08](#) NSW Government Website Management

This Circular supersedes C2007-03 'Website Style Directive' and applies to all public sector agencies other than State Owned Corporations. It requires Departments and Agencies to improve the quality of their website services by consolidating or closing superfluous websites.

[C2012-09](#) Lieutenant-Governor of New South Wales

This Circular supersedes C1998-38 'Swearing-In of The Lieutenant-Governor of the State of New South Wales', applies to all public sector agencies other than State Owned Corporations, and updates for the newly appointed Lieutenant-Governor of NSW.



The Treasury – NSW Government

[TC 12/07](#) Financial Accounting Arrangements for the Crown Entity

The Circular is issued as a Direction in accordance with sections 9 and 45E of the *Public Finance and Audit Act 1983* and applies to all entities required to prepare general purpose financial statements under the Act, including Statutory State Owned Corporations. It details the requirements and year-end timetable agencies must follow to meet reporting obligations.

Department of Finance and Deregulation

[Discussion Paper: Is Less More? Towards Better Commonwealth Performance](#)

The Australian Government, in an effort to improve delivery of government services, policies and programs to upgrade the public management framework, released this discussion paper. It seeks feedback that will inform future changes, especially in the areas of governance practices, risk management, accountability and compliance. Comment period closes 29 June 2012.

Australian Securities and Investments Commission (ASIC)

[ASIC checks information contained in annual compliance certificates](#)

Between 1 April 2012 and 30 June 2012, ASIC will be verifying information in Annual Compliance Certificates lodged by various Australian Credit Licensees. [Information sheet 135](#) is useful in understanding obligations when lodging an annual compliance certificate.

[ASIC improves disclosure of unlisted property scheme risks](#)

ASIC updated existing disclosure principles and introduced new disclosure benchmarks for unlisted property schemes (i.e. unlisted managed investment schemes that have or are likely to have at least 50 per cent of its non-cash assets invested in real property and/or in unlisted property schemes).

New reports released

[Report 281](#) ASIC enforcement outcomes: July to December 2011

[Report 282](#) Regulation of exchange traded funds



Australian Prudential Regulation Authority (APRA)

APRA has released its December 2011 Quarterly Superannuation Performance [statistics publication](#) and its [research](#) about the effect of fund size on the performance of superannuation funds.

Also available now:

- two new [prudential practice guides](#) for superannuation trustees (relating to contribution and benefit accrual standards, and payment standards)
- 2012 [Approved Form of Audit Report](#) for registrable superannuation funds.

New South Wales Auditor-General

Peter Achterstraat, New South Wales Auditor-General, will speak about key year-end audit issues and the challenges around financial reporting in the public sector at KPMG's 2012 'Financial Reporting in the public sector – the road ahead'.

The seminar will be held at KPMG Sydney on 22 May 2012 and cover important issues for public sector reporting both now and into the future. Further details are available from [Jane Balle](#) 02 9335 8411.

New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- Report 27: Establishment, Implementation and Administration of the Bike Paths Component of the Local Jobs Stream of the Jobs Fund
- Report 28: Quality On Line Control for Centrelink Payments
- Report 29: Administration of the Australia Network Tender Process

ACT Auditor-General's Office (ACT AO)

- Report No. 1/2012: Monitoring and minimising harm caused by problem gambling in the ACT

Northern Territory Auditor-General's Office (NT AO)

- March 2012 Report to the Legislative Assembly

New Zealand Office of the Auditor-General (NZ OAG)

- Severance payments: A guide for the public sector
- Draft statement of intent 2012–15

- Local government: Results of the 2010–11 audits

South Australian Auditor-General's Department (SA AG)

- Agency audit report: Department of Health and associated health service activities: April 2012

Tasmanian Audit Office (TAS AO)

- Strategic Plan 2012 to 2015
- Report No. 8 of 2011-12: The assessment of land-use planning applications

Victorian Auditor-General's Office (VAGO)

- Access to Public Housing
- Melbourne Markets Redevelopment
- Agricultural Food Safety

Western Australia Office of the Auditor-General (WA OAG)

- Working Together: Management of Partnerships with Volunteers
- Opinion on ministerial decisions not to provide information to Parliament on the amount of funding Tourism WA provided for some events

Miscellaneous Resources

CPA Australia

- [Quality Review Program](#): Top ten non-audit breaches in 2011

Commonwealth Government Department of Climate Change and Energy Efficiency

- [Publication](#): Coastal climate change risk – Legal and policy responses in Australia

Productivity Commission

- [Issues paper](#): Regulatory Impact Analysis: Benchmarking
- [Inquiry report](#): Economic Regulation of Airport Services
- [Draft research report](#): Business Regulation Benchmarking: Role of Local Government as Regulator
- [Staff working paper](#): Productivity in Electricity, Gas and Water: Measurement and Interpretation
- [Issues paper](#): Strengthening economic relations between Australia and New Zealand





Independent Pricing & Regulatory Tribunal (IPART)

IPART have released [new publications](#) relating to electricity, local government, and water.

Institute of Internal Auditors

- [Media release](#): Audit Committee Chairs condemn management meddling in internal audit

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