

# Professional update

Accounting and auditing developments |



March 2012

## Hot Topics

### Quality and Timeliness of Financial Reporting – 2012 Mandatory Early Close Procedures

The [February edition of Professional Update](#) mentioned that NSW Treasury would shortly release a circular with the reporting deadlines for the 2011–12 financial statements and Annual Returns. In that edition we directed agencies to some useful resources to help with planning for an earlier reporting date. Following publication of February's Professional Update, [TC 12/03](#) 'Mandatory early close procedures commencing in 2012', was released.

The circular has been issued as a Direction under section 9(2)(n) of the Public Finance and Audit Act 1983 (PF&A Act) and requires all agencies to perform early close procedures, which must be reviewed by management. Treasury's requirements have been outlined in the various appendices:

- Appendix A: 2011–12 agency reporting timetable
- Appendix B: Early close procedures
- Appendix C: Overcoming practical impediments to early close procedures (before year-end)
- Appendix D: Audit implications of early close and year-end procedures
- Appendix E: Group 1 Large Agencies, Group 2 Medium Tier Agencies, Group 3 Small Agencies
- Appendix F: 2011–12 Information on emerging accounting issues
- Appendix G: Resources.

Treasury recommends agencies with a 30 June balance date perform early close procedures as at April, unless another month end between December and April is more appropriate. When preparing early close financial statements, agencies should also refer to Treasury circular [TC 12/04](#) 'Mandates of Options and Major Policy Decisions under Australian Accounting Standards', to help determine their accounting policies.

To comply with the above circulars, agencies should identify:

- what – the early close procedures required depending on their classification in Appendix E
- when – the appropriate close date
- how – the processes they need to put in place and resources required.

### Fraud – are you exposed?

The recent spate of frauds reported in the press highlights that neither the public nor private sectors are immune to the risk of fraud. Australian Auditing Standard [ASA 240](#) defines fraud as 'an intentional act by one or more individuals in management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.' Within this

### This edition includes:

- **Quality and Timeliness of Financial Reporting**
- **Fraud – are you at risk?**

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standard, intentional acts include fraudulent financial reporting and misappropriation of assets.

PwC recently published [Fighting Fraud in the Public Sector](#), which is the government and public sector extract from its Global Economic Crime Survey 2009. This publication also considered findings from latest Australian government fraud reports. The key findings include:

- government and state-owned enterprises experiencing higher incidences of fraud on average than listed private entities
- government and state-owned enterprises reporting that most frauds related to asset misappropriations
- more than half the frauds are committed by staff, with senior staff more likely to commit fraud in government and state-owned enterprises
- more than one third of NSW Government agencies surveyed by the Auditor-General in 2009 reported their fraud risk assessments were not effective (reported in [Volume Two 2010](#))
- there is a perception that government appears lenient on perpetrators of fraud.

The publication also details the most effective methods of fraud detection and provides practical solutions an organisation can implement to reduce its exposure to fraud.

Other useful resources include:

- Australian National Audit Office Better Practice Guide [Fraud Control in Australian Government Entities](#) – written from a Commonwealth legislative background, but the principles apply to a wider audience
- [2nd Annual National Public Sector Fraud and Corruption Congress](#) – held in Sydney 25–26 July 2012.

## Accounting Update

### Australian Update

[AASB Meeting Highlights – 15–16 February 2012](#)

New topics discussed by the AASB at its meeting included:

- financial reporting implications of the carbon tax during the fixed-price phase for emitter entities
- accounting for Defence Weapons Platforms such as

submarines, fighter planes and tanks.

Following its meeting, the AASB has issued agenda decisions relating to the [Scope of AASB 112 'Income Taxes'](#) and [Substantive Enactment of Resource Rent Tax Bills](#).

### International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 27 February](#)

Some sessions were jointly held with the FASB. Topics discussed included:

- Financial Instruments: classification and measurement
- Impairment of financial assets
- Insurance contracts
- Leases

In a separate meeting, the IASB discussed put options written on non-controlling interests.

### International Update – International Valuation Standards Council (IVSC)

The IVSC has launched a [project](#) aimed at bringing greater consistency and understanding of the techniques used for valuing financial derivatives. The types of derivative instruments the project will address are equity derivatives, fixed income derivatives, credit derivatives, foreign exchange derivatives, commodity derivatives and hybrid derivatives.

### International Update – International Federation of Accountants (IFAC)

IFAC has recently released:

- a report entitled '[Investor Demand for Environmental, Social, and Governance Disclosures: Implications for Professional Accountants in Business](#)'
- results of its [2011 IFAC Global Leadership Survey of the Accounting Profession](#).

## Auditing Update

### Australian Update

[AUASB GS 020 'Special Considerations in Auditing Financial Instruments'](#)

This newly released guidance statement replaces AGS 1030 'Auditing Derivative Financial Instruments'.





## AUASB Meeting Highlights – 27 February 2012

New topics discussed by the AUASB at its meeting included:

- approving the project plan of revising AUS 810 as an ASAE on Internal Control Engagements
- splitting the proposed fundraising standard in ED 02/11 into two separate standards: assurance on historical pro forma and/or prospective financial information; and assurance on the compilation of pro forma financial information.

## International Update

### [IAASB publication 'Professional Scepticism in an Audit of Financial Statements'](#)

This new publication seeks to enhance proper understanding and application of professional scepticism during an audit of financial statements.

### [Revisions to Policy Position Paper Two: Promoting a Single Set of Auditing Standards for All Audits, Including of Small and Medium-Sized Entities](#)

Main revisions include updated references to clarified ISAs; other relevant IAASB issued standards; tools and guidance made available to practitioners by IFAC and the IAASB.

## Ethics Update

### Australian Update

#### [APESB Meeting Highlights – 9 February 2012](#)

New topics discussed by APESB at its meeting included:

- public sector independence issues raised by the Audit Office of New South Wales in relation to the APES project to revise of APES 110 *Code of Ethics for Professional Accountants*
- proposals to develop guidance on Management Representation Letters; Roles and Responsibilities of Senior Finance Personnel and Roles on Audit Committees.

## International Update

### [Proposed Change to the Definition of 'Engagement Team'](#)

The International Ethics Standards Board of Accountants (IESBA) proposes to revise the definition of an engagement team; in particular to make it clear that internal auditors providing direct assistance to external auditors are not part of the audit engagement team. Comment period closes 31 May 2012.



## Legislative Update

### [Australian Charities and Not-for-profits Commission \(ACNC\)](#)

The Government has extended the start date of the ACNC from 1 July 2012 to 1 October 2012.

### [Corporations Legislation Amendment \(Audit Enhancement\) Bill 2012](#)

This bill, aimed at improving the quality and transparency of the auditing process, has been introduced into parliament.

## Department of Premier and Cabinet

### New Ministerial Memoranda and Department Circulars

- [M2012-03](#) Defence Reserves Support – Supportive Employer Program
- [C2012-03](#) Statute Law Revision Program
- [C2012-04](#) Crown Employees Wages Staff (Rates of Pay) Award 2011
- [C2012-05](#) Changes to Statutory Declaration and Affidavit Forms
- [C2012-06](#) International Women's Day
- [C2012-07](#) Cabinet Standing Committee on Expenditure Review – Procedures and Operational Rules – 2012

## The Treasury – NSW Government

### New Treasury Policy Paper and Circulars

- [TPP 12-1](#) Accounting Policy: Financial Reporting Code for NSW General Government Sector Entities
- [TC 12/03](#) Mandatory early close procedures commencing in 2012
- [TC 12/04](#) Mandates of Options and Major Policy Decisions under Australian Accounting Standards
- [TC 12/05](#) Fair Value of Specialised Physical Assets
- [TC 12/06](#) Accounting for Long Service Leave and Annual Leave

## Australian Securities and Investments Commission (ASIC)

### Recent consultation papers and regulatory guides released:

- [CP 174](#) Hedge funds: Improving disclosure – Further consultation



- [CP 175](#) Carbon markets: Training and financial requirements
- [CP 176](#) Review of ASIC policy on platforms: Update to RG 148 'Investor directed portfolio services
- [RG 235](#) Registering your business name
- [RG 236](#) Do I need an AFS licence to participate in carbon markets?

## Australian Prudential Regulation Authority (APRA)

APRA has released [superannuation fund-level performance data](#) for individual superannuation funds from 2004 and 2011.

APRA has also released [annual superannuation figures to 30 June 2011](#). Features within this publication also include: the volatility of superannuation returns and superannuation fund reserves (unallocated benefits); the size and use of fund reserves.

## Public Accounts Committee

### Inquiries

The NSW Parliament's Public Accounts Committee has commenced the [Follow up on the Auditor-General's Performance Audits](#), examining reports tabled between September 2010 and February 2011.

### Reports

The [Report on the Examination of the Auditor-General's Performance Audits October 2009 – June 2010](#) was tabled in February 2012.

## New South Wales Auditor-General's Reports

### Financial Audit

[Focusing on themes from 2011](#)

The report discusses key issues from 2011 financial audits of NSW Government agencies, recent performance audits and reviews of information systems, including:

- below standard financial reporting
- asset management needs to improve
- weak IT services contract management
- finance systems at risk.

## New Publications by Other Audit Offices

### Australian National Audit Office ([ANAO](#))

- Report 25: Administration of Project Wickenby
- Report 26: Capacity Development for Indigenous Service Delivery
- Role of the Auditor-General in disputes between a Parliamentary Committee and the Executive relating to responses to Committee Reports (Corporate Publication)
- Developing and Managing Contracts (Better Practice Guide)
- Enhancing Audit Quality in a Supreme Audit Institution (Speech)

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

- New Zealand Blood Service: Managing the safety and supply of blood products
- MPs' Guide to the Auditor-General
- Health Sector: Results of the 2010/11 audits
- Central Government: Results of the 2010/11 audits (Volume 2)

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

- Probity of the processes leading up to the awarding of three service contracts in 2011 for the provision of regular passenger bus services in Metropolitan Adelaide
- Report on the Adelaide Oval Redevelopment pursuant to section 9 of the Adelaide Oval Redevelopment and Management Act 2011 for the designated period 1 July 2011 to 31 December 2011

### Victorian Auditor-General's Office ([VAGO](#))

- State Trustees Limited: Management of represented persons
- Public Transport Performance
- Government Advertising and Communications
- Agricultural Food and Safety
- Melbourne Markets Redevelopment
- Public sector accountability: challenges and opportunities (Presentation)
- The PAC/Auditor-General relationship: the Victorian Model (Presentation)
- Reporting Audit Results to Parliament (Presentation)
- Can Public Accounts Committees add value (Presentation)
- Lessons from audits: Key themes from VAGO's 2010–11 program (Presentation)





- Improving accountability and performance in the public sector (Presentation)
- 'Governance hotspots' in the Victorian public service (Presentation)

## Miscellaneous Resources

### Commonwealth Government Treasury

- [Discussion Paper](#) : Charitable Fundraising Regulation Reform
- [Draft Legislation](#): Lowering the company tax rate

### Commonwealth Government Department of Climate Change and Energy Efficiency

- [Publication](#): Quarterly Update of Australia's National Greenhouse Gas Inventory: September 2011
- [Publication](#): Portfolio additional estimates statements 2011–12
- [Publication](#): Experimental testing of possible designs for the Australian Carbon Pollution Permit Allocation Auction

### Independent Commission Against Corruption (ICAC)

- [Publication](#): Anti-corruption safeguards and the NSW planning system 2012
- [Fact finder](#): A Guide to Conducting Internal Investigations

### Productivity Commission

- [Supplement to the discussion draft](#): Economy-wide Modelling of Impacts of COAG Reforms: Business Regulation and VET
- [Issues paper](#): Electricity Network Regulation

### Australian Institute of Company Directors

- [White paper](#): Mind the Expectation Gap – the role of a company director

### Association of Superannuation Funds of Australia (ASFA)

- [The equity of government assistance for retirement income in Australia](#)

### Committee of Sponsoring Organizations of the Treadway Commission (COSO)

- [Thought Paper](#): Enhancing Board Oversight – Avoiding Judgement Traps and Biases



### Independent Pricing & Regulatory Tribunal (IPART)

IPART has released [new publications](#) relating to electricity, water, and transport Industries.

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