

# Professional update

Accounting and auditing developments |



August 2013

## Hot Topics

### Managing data and IT security

The American Institute of Certified Public Accountants (AICPA) and the Chartered Professional Accountants of Canada (CPA Canada) have released the [2013 North America Top Technology Initiatives \(TTI\) Survey](#). The survey of nearly 2,000 accounting professionals ranked IT security and managing and retaining data as their top priorities.

Other priorities included: managing IT risk and compliance, ensuring privacy, managing system implementations, protecting operational and financial systems and preventing and responding to computer fraud. Overall, the survey revealed that respondents were less confident this year compared to last year about their organisations achieving their top technology initiatives. Factors contributing to reduced confidence included: exponential growth in data requirements, increasing emphasis on mobile devices and transfer of confidential information to the cloud.

While organisations have always been concerned about the processing integrity and management of their systems, they are now highly focused on security and the potential for their systems to be compromised or hacked, from both external and internal sources.

Steps organisations can take to reduce their risk and vulnerability to data and security issues are often deceptively simple and include:

- strengthening mandatory password parameters: minimum eight characters in length, requiring a combination of letters, numbers and special characters and enforced periodic change
- limiting the number of users with administrator type access to systems
- implementing all operating system patches that address security issues
- implementing relevant security patches to application systems
- ensuring there is an effective change control process in place: separate test and production environments, user acceptance testing and implementation approvals
- periodically reviewing user access profiles to ensure access agrees with duties
- installing and updating virus protection software for both server and end-user computers
- using wireless networks securely
- regularly reviewing the firewall setup and the relevant logs to ensure the effectiveness of these measures
- regularly monitoring and reporting availability of computing resources – data capacity
- fulfilling data requirements including backup, storage and retention
- developing a customised business continuity plan in-hand with a disaster recovery plan so that the business can continue operating post a catastrophic event, for example, fire or flooding.

## This edition includes:

- **Managing data and IT security**
- **Guidance for the June 2013 reporting season**
- **Improving the auditor's report – big changes on the way**

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## Guidance for the June 2013 reporting season

The Institute of Chartered Accountants in Australia (ICAA) has released [Essential Guidance for the June 2013 reporting season](#), which highlights some of the economic and regulatory considerations for preparers, directors and auditors signing off financial reports this financial year-end.

Volatile securities markets, subdued economic growth forecasts and historically low Reserve Bank interest rates are impacting confidence and resulting in ongoing uncertainty in the economic environment. Uncertainty and potentially lower discount rates must be taken into consideration by financial report preparers and their auditors when performing and reviewing impairment analyses, assumptions underlying going concern assessments, employee benefit liabilities, sensitivity analyses and forecasts.

The ICAA's Essential Guidance document notes that ASIC will be focusing on operating and financial reviews following the release of [RG 247 Effective Disclosure in an operating and financial review](#). ASIC has also set out their focus areas for 30 June 2013 financial reports in [13-160MR Focuses for 30 June 2013 financial reports](#). Their focus areas include:

- the impact of new accounting standards on consolidated financial statements and joint arrangements
- impairment of goodwill and other non-current assets
- going concern assessments.

An area that financial report preparers sometimes overlook is disclosure of the expected impact of new accounting standards issued but not yet effective. The Big Four audit firms issue guidance in this area each reporting season. For example, [Deloitte's guide](#) for periods ending on 30 June 2013 include:

- a table of new and revised accounting pronouncements, including links to issuer websites
- a list of key considerations for financial reporting at 30 June 2013
- a section that considers the potential impacts from the 'next wave' of projects that international and Australian standard setters are working on.

The AASB's [table of standards](#) details the issue dates and operative dates for the new standards.

## Improving the auditor's report – big changes on the way

The International Auditing and Assurance Standards Board (IAASB) have released [Exposure Draft, Reporting on Audited Financial Statements: Proposed New and Revised International](#)

[Standards on Auditing \(ISAs\)](#). The Exposure Draft includes a proposed new ISA (ISA 701) and a number of proposed revised ISAs (the Proposed ISAs) which aim to improve the auditor's report on audited financial statements. The IAASB unanimously approved the Proposed ISAs in June 2013 for exposure.

Following the global financial crisis there has been much focus on, and many calls for, improvements to the auditor's report on financial statements.

In response to these calls, the IAASB has released Proposed ISAs on reporting on audited financial statements. The key enhancements in the Proposed ISAs include:

- prominent placement of the auditor's opinion and other entity-specific information in the auditor's report
- reporting on 'Key Audit Matters' for listed entity financial statement audits. 'Key Audit Matters' being those matters, that in the auditor's judgement, were of most significance in the audit performed
- reporting on the appropriateness of management's use of the going concern basis of accounting in preparing the entity's financial statements
- a statement by the auditor as to whether a material uncertainty, which may cast significant doubt on the entity's ability to continue as a going concern, has been identified
- an explicit statement that the auditor is independent of the entity
- disclosure of the name of the engagement partner
- improved description of the responsibilities of the auditor and key features of the audit.

The IAASB hopes that the Proposed ISAs will result in increased confidence in audit reports and audited financial statements from investors, analysts and other users of the auditor's report and the audited financial statements.

Comments to the IAASB close 22 November 2013.

## Audit Office of New South Wales

Peter Achterstraat, New South Wales Auditor-General:

- spoke at CPA Australia's Sydney Accountants Discussion Group – 'Reflections of an Auditor-General' (16 July 2013)
- attended the Institute of Public Administration Australia's State Conference (18 July 2013)
- attended and presented at the Audit Office of New South Wales' Office Forum meeting (26 July 2013)





- o attended a TechnologyOne boardroom luncheon discussion 'Delivering better outcomes and the need for senior executive accountability' (31 July 2013)
- o presented to the NSW Public Sector Community of Finance Professionals CFO Forum 'Reflections of my seven-year term' (7 August 2013)
- o presented at the Australian and New Zealand School of Government annual conference 'Getting better all the time? – Reviewing to improve delivery' (8 August 2013).

### Auditor-General's Performance Audit Reports to Parliament

- o On 24 July 2013 the Auditor-General released the report '[Reducing ambulance turnaround time at hospitals](#)'.

This audit examined whether there are effective strategies in place to reduce the time spent by ambulance crews at emergency departments. It found that although NSW Health has put in place initiatives to free up ambulances, the average time spent by ambulances at hospital emergency departments has increased over the last seven years. In 2011–12 only 65 per cent of ambulance crews handed over patients within 30 minutes of arriving, well below NSW Health's target of 90 per cent.

Ultimately, hospitals need to move emergency department patients waiting for a hospital bed into their wards faster. One way to do this is to free up beds in the wards. Improved discharge practices to reduce unnecessary waits for drugs or review by inpatient doctors will help, but this requires all parts of a hospital to be responsible for ambulance delays.

The audit also found that there is more scope to limit the number of patients taken by ambulance to hospital. Paramedics should be allowed to say 'no', that is, refuse to transport patients whose clinical assessment indicates that hospital treatment is not warranted.

- o On 30 July 2013 the Auditor-General released the report '[Making the best use of public housing](#)'

This audit examined New South Wales' capacity to meet changing public housing need, including how well Housing NSW acts to relocate tenancies where an individual's needs or circumstances change and how well the NSW Land and Housing Corporation plans to ensure the asset base reflects the requirements of those most in need.

It found the constraints in the current portfolio and funding

arrangements do not enable Housing NSW and NSW Land and Housing Corporation to meet the changing public housing need. Public housing is ageing and increasingly not fit for purpose. There is an increasing shortfall between the supply of and demand for public housing.

The Auditor-General summed it up, 'It is crunch time for public housing in New South Wales. The government must make difficult decisions about public housing priorities'.

- o On 6 August 2013 the Auditor-General released the report '[Cost of alcohol abuse to the NSW Government](#)'

This audit examined whether the NSW Government knows the costs incurred by State agencies as a result of alcohol abuse. Government agencies monitor and report incidents of alcohol-related harm and some of the costs associated in responding to alcohol abuse. However, it was found that agencies do not monitor or report the total cost of alcohol abuse. This means the NSW Government does not have a complete picture of the harm caused by alcohol in terms of its costs and effects on society.

We estimate the total cost of alcohol-related abuse to NSW Government services to be around \$1 billion per annum or around \$416 from each NSW household. If social costs are included, the total cost of alcohol abuse in New South Wales is around \$3.87 billion per annum, or about \$1,565 from each household.

'It is important for government to have good information on the costs of alcohol abuse so it can respond effectively to the problem,' said Mr Achterstraat, the Auditor-General.

'Alcohol abuse poses a significant financial burden to both society and government. As a community we need to count the cost and decide what best to do,' Mr Achterstraat concluded.

## Accounting Update

### Australian Update – Australian Accounting Standards Board (AASB)

The AASB has:

- o issued amending standard [AASB 2013-4](#) Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- o issued amending standard [AASB 2013-5](#) Amendments to Australian Accounting Standards – Investment Entities





- issued invitation to comment [ITC 29 A Review of the Conceptual Framework for Financial Reporting](#) for public comment – this incorporates the IASB discussion paper of the same name. Comments close 14 January 2014
- updated staff paper on [Accounting for Carbon Tax by Emitters](#) (29 July 2013)
- [written](#) to IFRIC to raise concerns in relation to IFRIC 21 Levies (30 July 2013)
- published [AASB Essay 2013-1 Rethinking the Path from an Objective of Economic Decision Making to a Disclosure and Presentation Framework](#) (14 August 2013).

#### [AASB Meeting Highlights – 16 to 17 July 2013](#)

Topics discussed by the AASB at its meeting included:

- IPSASB Conceptual Framework ED on Presentation in General Purpose Financial Reports
- insurance
- Interpretation 21 Levies
- discussion of lease accounting proposals in ED 242
- IASB Conceptual Framework.

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

##### [IASB Meeting Highlights – 23 to 25 July 2013](#)

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

- revenue recognition
- financial instruments – classification and measurement
- financial instrument impairment
- comprehensive review of IFRS for SMEs
- post implementation reviews of IFRS 8 Operating Segments and IFRS 3 Business Combinations
- IFRIC matters
- rate regulated activities.

The IASB has released:

- [IFRS 8 Operating Segments](#) post implementation review report.

The IASB and FASB have released a [PowerPoint presentation](#) summarising the current status of their joint projects on the FASB website.

Joint projects include:

- disclosure framework project
- revenue recognition
- leases
- financial instruments – classification and measurement
- financial instruments – impairment
- private companies
- going concern.

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

The IVSC has released an exposure draft titled [The Valuation of Equity Derivatives](#). Comments close 30 September 2013.

#### **International Update – International Financial Reporting Standards (IFRS) Foundation**

##### [IFRS Foundation Trustees' Meeting Highlights – 9 to 11 July 2013](#)

The trustees discussed the following topics:

- ways to strengthen the relationship with the International Organisation of Securities Commissions (IOSCO)
- funding
- strategy review
- IFRS developments around the world
- emerging economies
- due process.

#### **International Update – Interpretations Committee (IFRIC)**

##### [IFRIC Meeting Highlights – 16 to 17 July 2013](#)

The committee discussed the following topics:

- current agenda and work in progress
- IASB narrow scope amendments
- annual improvements
- final and tentative agenda rejections.

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

IPSASB has recently issued the following:

- recommended practice guide [RPG 1](#) Reporting on the Long-Term Sustainability of an Entity's Finances
- [RPG 2](#) Financial Statement Discussion and Analysis.





## Auditing Update

### Australian Update – Auditing and Assurance Standards Board (AUASB)

The AUASB has:

- made a call for comments on the IAASB's proposed reforms to auditor reporting contained in ED Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing. [Comments close](#) to the AUASB on 22 October 2013
- released [ED 02/13](#) ASA 610 (Revised) Using the Work of Internal Auditors
- released [ED 03/13](#) ASA 2013-2 Amendments to Australian Auditing Standards.

#### [AUASB Meeting Highlights – 29 July 2013](#)

Topics discussed by the AUASB at its meeting included:

- ASA 610 Using the Work of Internal Auditors
- due process and trans-Tasman harmonisation
- assurance engagements on controls
- international matters
- APRA – prudential audit requirements for registrable superannuation entities.

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

The IAASB has released:

- a [Post-Implementation review of the Clarified ISAs](#)
- exposure draft on [Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing](#) – Comments close 22 November 2013.

## Ethics Update

### Australian Update – Accounting Professional and Ethical Standards Board (APESB)

The APESB have released:

- its Strategy and Work Program for 2013 to 2015 (9 August 2013).

## Financial Reporting Council (FRC)

The FRC has released the following documents on its website:

- [Managing Complexity Task Force Report](#)

- survey findings on [financial literacy of Australian directors](#)
- the FRC's submission to the IIRC's consultation draft of the [International Integrated Reporting Framework](#)
- the FRC's submission on the [IAASB consultation paper](#) 'A Framework for Audit Quality'.

## Department of Premier and Cabinet

### New Ministerial Memoranda and Department Circulars

- [M2013-07](#) Protocols for NSW Participation in COAG Ministerial Councils (8 August 2013)
- [C2013-06](#) Public Interest Disclosures – Reporting Requirements (18 July 2013)
- [C2013-07](#) Governance Framework for Major Transactions – 2013 (5 August 2013).

## Public Service Commission (PSC)

The PSC has released the following circulars:

- PSCC 2013-09 NSW Public Sector Capability Framework (9 August 2013).

## Public Accounts Committee

### Reports

[Reports tabled](#) in NSW Parliament:

- Same-sex marriage law in New South Wales (26 July 2013).

## Australian Securities and Investments Commission (ASIC)

Recent [consultation papers](#) released:

- CP 213 Greyhound racing and breeding syndicate schemes
- CP 214 Updated record-keeping obligations of AFS Licensees
- CP 215 Assessment and approval of training courses for financial product advisers: Update to RG 146.

Recent releases:

- a new booklet to help small business understand and comply with their legal obligations titled [Your obligation as a small business operator](#).

Recent [reports](#) released:

- Report 360 ASIC enforcement outcomes: January to June 2013 (24 July 2013)





- Report 361 Consumer credit insurance policies: consumers' claims experiences (31 July 2013)
- Report 362 Review of financial advice industry practice: Phase 2 (31 July 2013)
- Report 363 Market assessment report: Reuters Transaction Services Limited (9 August 2013)
- Report 364 Response to submissions on CP 202 Dark liquidity and high-frequency trading: Proposals (12 August 2013)
- Report 365 Hybrid securities (20 August 2013).

Recent [speeches](#) released:

- 'Selective disclosure of confidential, price-sensitive information', by John Price, Commissioner ASIC (31 July 2013)
- 'The future of financial regulation', by Greg Medcraft, Chairman ASIC (31 July 2013).

ASIC [Media Releases](#):

- 13-188MR Consumers warned about another off shore cold calling scam impersonating ASIC
- 13-196MR ASIC to boost record-keeping obligations
- 13-203MR ASIC releases small business booklet
- 13-213MR ASIC makes rules on dark liquidity, high-frequency trading
- 13-215MR Smartphone app to allow trans-Tasman business searches on the go
- 13-220MR ASIC continues crackdown on hybrids.

## Australian Prudential Regulation Authority (APRA)

Recent APRA releases:

- APRA releases results of third stakeholder review (12 July 2013)
- Implementation of Basel III liquidity framework in Australia (8 August 2013).

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

Recent ACNC releases:

- its [six-month progress report](#) – this report shows that the ACNC has registered 500 charities and had over one million hits to its website

- the [online version](#) of its 2013 Annual Information Statement – this statement is due by 31 December 2013, or six months after the end of an approved substituted accounting period.

## New Publications by Other Audit Offices

### Australian National Audit Office (ANAO)

- Report 1: Design and Implementation of the Liveable Cities Program (8 August 2013)
- Report 2: Administration of the Agreements for the Management, Operation and Funding of the Mersey Community Hospital (14 August 2013)
- Report 3: AIR 8000 Phase 2 – C-27J Spartan Battlefield Airlift Aircraft (15 August 2013).

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

- Using development contributions and financial contributions to fund local authorities' growth related assets (August 2013)
- Commentary on Affording our Future: Statement on New Zealand's Long-term Fiscal Position (August 2013).

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

- The Banksia Hill Detention Centre Redevelopment Project (7 August 2013).

### Australian Capital Territory Auditor-General's Office (ACT AGO)

- Bushfire Preparedness (26 July 2013).

## Useful Resources

### Commonwealth Government Treasury

The Commonwealth Government Treasury has [released](#):

- Scoping paper on Risks to the Sustainability of Australia's Corporate Tax Base (24 July 2013)
- Taxation of Native Title and Traditional Owner Benefits and Governance Working Group (3 August 2013)
- Pre-Election Economic and Fiscal Outlook (8 August 2013).

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

- COSO and Ernst & Young have released the paper [Demystifying Sustainability Risk: Integrating the triple bottom line into an enterprise risk management program](#). This is the latest in a series of COSO papers aimed at helping business





establish effective frameworks for all aspects of ERM.

### Productivity Commission

The Productivity Commission has [released](#):

- Deep and Persistent Disadvantage in Australia (11 July 2013)
- Geographic Labour Mobility Issues Paper (11 July 2013)
- Major Project Approval Processes Need to be Improved (5 August 2013).

### Independent Pricing & Regulatory Tribunal (IPART)

IPART has released [new publications](#) relating to Vocational Education and Training (VET) and water industries.

IPART has released the following [information/fact sheets](#):

- prices and bills for unregulated river users from July 2013
- prices and bills for regulated river users from July 2013
- prices and bills for metropolitan water customer from July 2013
- prices and bills for groundwater users from July 2013
- Training Providers – prices and fees for VET under Smart and Skilled (30 July 2013)
- Students – prices and fees for VET under Smart and Skilled (30 July 2013)
- IPART's 2015 review of State Waters prices for the coastal valleys and some Fish River customers (1 August 2013).

### Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#):

- ACCC concerned about shopper docket discounts (29 July 2013)
- ACCC authorises joint tenders for waste collection and recycling services (31 July 2013)
- ACCC seeks submissions on State Water's pricing proposal (5 August 2013).

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