

Professional update

Accounting and auditing developments |



August 2012

Hot Topics

Evaluating and Improving Internal Control

Recent corporate collapses have put the spotlight on how well an organisation integrates its internal controls with a risk management framework. Effective risk management helps an organisation identify its threats and opportunities. It allows the organisation to design controls that effectively counter the threats and capitalise on the opportunities.

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) recently issued International Good Practice Guidance [Evaluating and Improving Internal Control in Organisations](#). This guidance describes principles for evaluating and improving existing internal control systems, offers practical guidance to apply those principles, and highlights existing impediments to achieving good governance processes.

The guidance suggests organisations should:

- ensure the internal control system is part of risk management to support its objectives
- clearly define the ownership and responsibility for risks and associated internal controls
- create a culture that motivates staff to act in line with risk management policies and internal control objectives by establishing the 'tone at the top'
- link the achievement of internal control objectives to individual performance assessments
- ensure those required to fulfil internal control objectives associated with their roles are sufficiently competent
- design, implement and apply internal controls to respond to specific risks
- regularly communicate information about the internal control system and its outcomes
- regularly monitor and evaluate individual controls to early identify high levels of risk, control failures etc
- provide transparency and accountability by periodically reporting to stakeholders its risk profile and performance of the internal control system.

The guidance expands on the above principles by highlighting ways they can be practically applied as well as providing a list of other useful resources organisations can access in Appendix B.

Risk Management Toolkit

NSW Treasury recently released [TPP 12-03 Risk Management Toolkit](#) to help agencies comply with Core Requirement 5 of [TPP 09-05 Internal Audit and Risk Management Policy for the NSW Public Sector](#). Core Requirement 5 requires agencies to establish and maintain a risk management process that is consistent with the current Australian/New Zealand standard on risk management AS/NZS

This edition includes:

- Evaluation and improving internal control
- Risk Management Toolkit

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ISO 31000: Risk Management – Principles and Guidelines.

ISO 31000 consists of a set of principles, frameworks and processes to:

- improve decision making about risks
- manage risks
- reduce uncertainty
- increase the likelihood organisational objectives will be achieved.

The toolkit provides detailed and practical advice on the various elements of ISO 31000, as well as templates and worked examples based on a hypothetical agency in the following volumes:

- [Executive Guide](#) (TPP 12-03a)
- [Volume 1: Guidance for Agencies](#) (TPP 12-03b)
- [Volume 2: Templates, examples and a case study based on a hypothetical agency](#) (TPP 12-03c).

A number of useful templates have also been provided for downloading in Microsoft Excel.

The NSW Public Sector Audit and Risk Practitioners' Network will discuss the toolkit at their meeting on 3 September 2012. If you wish to attend, please call Phil O'Toole, Director, IAB Services on 9261 9105.

Accounting Update

Australian Update

The AASB released [ITC 27 'Request for Comment on IASB Request for Information on Post-implementation Review: IFRS 8 Operating Segments'](#), which incorporates the IASB's [Request for Information](#) (RFI).

The ITC seeks feedback on whether IFRS 8 is functioning as intended, and the challenges and costs associated with implementing the standard. Comments are due to the AASB by 11 October 2012 and the IASB by 16 November 2012.

[AASB Meeting Highlights – 25–26 July 2012](#)

Key topics discussed by the AASB included:

- financial reporting by superannuation entities
- financial reporting by not-for-profit (NFP) entities within the general government sector

- service concession arrangements – grantors
- related party disclosures by NFP public sector entities
- income from transactions of NFP entities.

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 16–21 July 2012](#)

Topics discussed at the IASB and FASB joint sessions included:

- investment entities
- leases
- classification and measurement
- financial instruments: impairment
- revenue recognition.

Additional topics discussed by the IASB included:

- due process
- accounting for macro hedging
- IAS 28 'Investments in Associates and Joint Ventures'
- work plan.

Podcasts are recorded shortly after each Board meeting and provide a short summary of the main topics and projects discussed.

International Update – IFRS Interpretations Committee

[IFRS Meeting Highlights – 10 July 2012](#)

The Committee discussed the following topics:

- current agenda:
 - IFRS 10 'Consolidated Financial Statements', IAS 28 'Investments in Associates and Joint Ventures' – Accounting for the loss of control of a group of assets or a subsidiary between an investor and its associate or joint venture
 - IAS 19 'Employee Benefits' – Accounting for contribution-based promises – Reconsideration of 'Draft Interpretation D9 Employee Benefit Plans with a Promised Return on Contributions or Notional Contributions'
- IFRS Interpretations Committee agenda decisions which are for information purposes only and does not change existing IFRS requirements, and work in progress.





Auditing Update

Australian Update

[AUASB Meeting Highlights – 23 July 2012](#)

Topics discussed by the AUASB at its meeting included:

- proposed APRA Prudential Standards for superannuation
- ASAE 3100 and ASAE 3500 Post Implementation Review Survey
- AUASB and New Zealand harmonisation of auditing and assurance standards
- AUASB functions and processes
- Standard Business Reporting Program
- Fundraising projects
- NGRS and Clean Energy Schemes and Greenhouse Gas Assurance
- International projects and updates.

[AUASB Bulletins](#) recently released include:

- 'Applying the Auditing Standards on Audits of Smaller Entities in Australia and New Zealand'
- 'Professional Scepticism in an Audit of a Financial Report'
- 'Auditing Considerations in a Prolonged Uncertain Economic Environment' which replaces the 2009 AUASB Bulletin of the same name.

Ethics Update

Australian Update

The Accounting Professional and Ethical Standards Board (APESB) issued the second exposure draft (ED) of [Proposed Standard APES 230 'Financial Planning Services'](#). The proposed standard sets out mandatory requirements and guidance for Members who provide Financial Planning Advice, and will supersede the existing APS 12 *Statement of Financial Advisory Standards*, issued jointly by CPA Australia and the Institute of Chartered Accountants in Australia in 2005.

Comments close 7 September 2012.

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

Topics discussed by APESB at its meeting include:

- clarifying the application date and other minor editorial

amendments in APES 110 'Code of Ethics for Professional Accountants'

- further guidance in section 5 of ED 05/12 'Revised APES 305 Terms of Engagement' to clarify requirements on 'recurring engagements'.

International Update

The International Ethics Standards Board for Accountants (IESBA) recently released exposure draft [Proposed Change to the Definition of 'Those Charged with Governance'](#) which seeks to clarify the definition of 'those charged with governance' by more closely aligning it with the definition in ISA 260 'Communication with Those Charged with Governance'.

Comments close 31 October 2012.

Department of Premier and Cabinet

New Ministerial Memoranda and Department Circulars

- [C2012-14](#) Release of 'Women in NSW 2012'
- [M2012-09](#) Directors' Liability Reform

The Treasury – NSW Government

New Treasury Circulars

[NSWTC 12/15](#) Release of NSW Public Private Partnership Guidelines

This circular states that all NSW Government agencies, including State Owned Corporations, must comply with the new [NSW Public Private Partnership Guidelines \(2012\)](#) when procuring infrastructure and associated services through Public Private Partnerships. These guidelines are effective 15 August 2012.

[NSW Commission of Audit Final Report](#)

The Premier and the Treasurer released the NSW Commission of Audit Final Report which outlines ways to improve public sector management and service delivery in NSW. The Government Response is also available and addresses the Commission of Audit's findings and its 132 recommendations.





Australian Securities and Investments Commission (ASIC)

Some recent publications released:

- [Regulatory Guide RG 238](#) Suspicious activity reporting
- [Consultation Paper 181](#) Retail trading in Commonwealth Government Securities

Audit Office of New South Wales

Peter Achterstraat, New South Wales Auditor-General, attended the CFO Forum held by the NSW Public Sector Community of Finance Professionals.

Auditor-General's Performance Audit Reports to Parliament

[Improving the literacy of Aboriginal students in NSW public schools](#)

The audit examined whether the Department of Education and Communities' processes to improve literacy of Aboriginal students are likely to be successful. It found that, notwithstanding gains at individual schools, more needs to be done. While the Department of Education and Communities has an important role to play, all government agencies and the community need to work together to improve educational outcomes of Aboriginal students.

New Publications by Other Audit Offices

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

- Education for Maori: Context for our proposed audit work until 2017

- How the Far North District Council has administered rates and charges due from Mayor Wayne Brown's company, Waahi Paraone Limited

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

- Investment Attraction (2012 – 13:2)
- Carer Support programs (2012 – 13:1)

Miscellaneous Resources

International Integrated Reporting Council (IIRC)

The IIRC released the '[Draft Framework Outline](#)', a working document that sets out the basic structure of the proposed integrated reporting framework for reporting strategic, governance, performance and prospective information. The IIRC expects to release the draft Framework for public consultation during 2013.

Independent Pricing & Regulatory Tribunal (IPART)

IPART has released [new publications](#) relating to the water and transport industries.

IPART has also released:

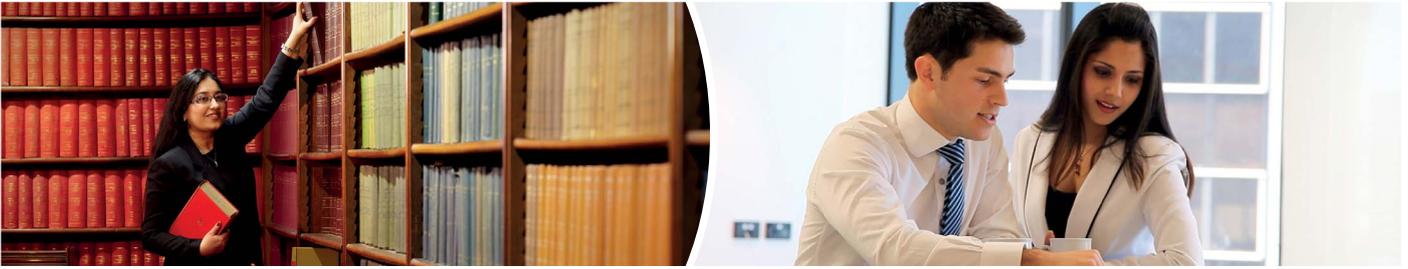
- Information Paper – Comparison of financial models - IPART and Australian Energy Regulator
- Final Report – Customer engagement on prices for monopoly services.

Committee of Sponsoring Organizations of the Treadway Commission (COSO)

COSO released [Enterprise Risk Management for Cloud Computing](#) which provides guidance to help organisations understand the impact and risks of adopting cloud computing technology.

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