

# Professional update

Accounting and auditing developments |



August 2014

## Hot Topics

### New International Framework released on Good Governance in the Public Sector

The International Federation of Accountants (IFAC) and the Chartered Institute of Public Finance and Accountancy (CIPFA) have jointly developed the [International Framework: Good Governance in the Public Sector](#) (the Framework). The Framework is helpful for all those specifically involved in governance, including governing body members, senior managers and internal and external auditors.

The Framework was developed in response to the increased scrutiny of poor public sector governance and the part it played in the financial and sovereign debt crisis and other public sector failures. This framework, focuses on sustainable economic, social, and environmental outcomes, seeks to establish a benchmark for good governance and encourages better service delivery and improved accountability'.

Good governance in the public sector ensures entities achieve their intended outcomes while acting in the best interests of the public. The Framework considers the following principles fundamental to acting in the public interest:

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- ensuring openness and comprehensive stakeholder engagement.

Good public sector governance requires effective arrangements for:

- defining outcomes in terms of sustainable economic, social, and environmental benefits
- determining the interventions necessary to optimise the achievement of the intended outcomes
- developing the entity's capacity, including the capability of its leadership and the individuals within it
- managing risks and performance through robust internal control and strong public financial management
- implementing good practices in transparency, reporting, and audit, to deliver effective accountability
- improving governance on a continuing basis through a process of evaluation and review.

Agencies are encouraged to review and improve the arrangements they have in place to support good public sector governance so they deliver the desired outcomes.

### The Importance of Independent Audit Committees in Public Sector Organisations

The [Institute of Internal auditors \(IIA\)](#) has released a new publication: [Global Public Sector Insight: Independent Audit Committees in Public Sector Organisations](#). It discusses the important role independent public sector audit and risk committees

## This edition includes:

- **New International Framework released on Good Governance in the Public Sector**
- **The Importance of Independent Audit Committees in Public Sector Organisations**
- **ASIC Report 397 - Audit Inspection Findings Report 2012-13**
- **Options for disbanding the Australian Charities and Not-for-profits Commission (ACNC)**

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play in ensuring government agencies meet the increasing demands of taxpayers for transparency and accountability.

The publication offers detailed insights and leading practices to help establish audit committees appropriate to a public sector organisation's needs. It discusses the necessary attributes and expertise of audit committee members, mix of skills and composition of the committee. Guidance is provided on key governance areas including values and ethics, risk management and audit activity and independence of committee members.

### **ASIC Report 397 – Audit Inspection Findings Report 2012-13**

The Australian Securities and Investments Commission (ASIC) has released the [results](#) of its risk-based inspections of audit firms for the 18 months to 31 December 2013.

ASIC found that of the 454 key audit areas reviewed across 107 audit files from different sized firms, 20 per cent did not obtain reasonable assurance the financial report as a whole was free of material misstatement (18 per cent for the 18 months to June 2012).

Commissioner John Price said, 'While audit firms have made good efforts to improve audit quality, these are yet to be reflected in our risk-based inspection findings.'

ASIC's inspections identified three broad areas for continued improvement by audit firms:

- the sufficiency and appropriateness of audit evidence obtained by the auditor
- the level of professional scepticism exercised by auditors
- ensuring appropriate reliance on the work of experts and other auditors.

Many of ASIC's findings relate to accounting estimates, including impairment of assets, and accounting policy choices.

ASIC considers the development of action plans to improve audit quality key to addressing the underlying causes of audit deficiencies. The development, maintenance and updating of these action plans will continue to be a key focus area for future ASIC inspections.

### **Options for disbanding the Australian Charities and Not-for-profits Commission (ACNC)**

The Senate committee investigating a Bill to revoke the ACNC Act has delivered a majority report favouring the repeal of the

ACNC Act. The Federal Department of Social Services (DSS) has released the [Options Paper, Australia's Charities and Not-for-profits](#). The paper forms stage two of its [consultation on the proposed future regulatory arrangements for Australian charities](#).

The paper details proposed plans to replace the ACNC with a National Centre of Excellence and options to transfer the ACNC's regulatory functions to the Australian Securities and Investments Commission (ASIC) and the Australian Taxation Office (ATO).

The DSS intends to post a summary of the written submissions on its website in September 2014.

## **Audit Office of New South Wales**

Grant Hehir, NSW Auditor-General:

- participated on discussion panel at a KPMG 'Risk Transformation' forum (23 July 2014)
- presented the keynote address at the Asia Pacific Public Sector Internal Audit Conference – 'Changing our stripes – Can the public sector push the boundaries of private sector performance' (29 July 2014)
- presented at the Competition Policy Review Panel's workshop in Melbourne (12 August 2014)
- presented at the Public Service Commission's Executive Development Program (13 August 2014).

## **Accounting Update**

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

The AASB has:

- issued two 'adverse comment only' exposure drafts: [ED 251 Revenue from Contracts with Customers – Tier 2 proposals](#) and [ED 252 Proposal to supersede AASB Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry](#), comments close 29 August 2014.
- submitted a [comment letter](#) to the IASB in response to ED 2014/1 Disclosure Initiative expressing strong support for the Disclosure Initiative project (6 August 2014).





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

### [IASB Meeting Highlights – 22-24 July 2014](#)

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

- disclosure initiative
- insurance contracts
- annual improvements to IFRS 2012–2014 and 2014–2016 cycles
- matters arising from the IFRS interpretations committee
- conceptual framework
- leases
- research programme
- rate-regulated activities.

### [IASB Releases](#)

The IASB has released:

- a speech by Ian Mackintosh: 'Are truly global standards achievable?' (13 August 2014)
- narrow-scope amendments to IAS 27 (12 August 2014)
- updated information on the Leases project (7 August 2014)
- a live web update on IFRS 9 Financial Instruments (29 July 2014)
- reform of financial instruments accounting (24 July 2014).

### [IASB Podcasts](#)

Recent podcasts released by IASB include:

- Disclosure initiatives, leases, conceptual framework and insurance contracts (July 2014).

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

IFAC has recently [released](#):

- Future Expectations and the Profession's Response (30 July 2014)
- The Challenging Role of Today's CFOs (1 August 2014)
- What Resources Would Help You Implement International Standards? Last Chance to Tell IFAC What You Need (1 August 2014).

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

### [IFRS Foundation Meeting Highlights – 8-10 July 2014](#)

Topics discussed included:

- a report from the Chairman of IFRS Trustees on discussions with the IFRS Monitoring Board on governance issues
- a report from the Chairman of IASB highlighting work on:
  - the conceptual framework
  - insurance contracts
  - leases
- IFRS international developments
- revised IFRS 9 financial instruments
- the IASB's current technical activities.

## International Update – Interpretations Committee

### [IFRIC Meeting Highlights – 15-16 July 2014](#)

Topics discussed included:

- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IAS 19 Employee Benefits
- IAS 1 Presentation of Financial Statements – disclosure requirements relating to assessment of going concern
- IAS 39 Financial Instruments Recognition and Measurement
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 16 Property, Plant and Equipment and IAS 2 Inventories
- IAS 16 Property, Plant and Equipment – accounting for proceeds and costs of testing on PPE
- IAS 21 The Effect of Changes in Foreign Exchange Rates.

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

IPSASB has recently issued the following:

- [Exposure Draft 55](#) Improvements to IPSASs 2014 proposes changes based on amendments from the International Accounting Standards Board's annual improvements and narrow scope amendments projects. ED 55 proposes improvements to four standards (IPSAS 1, IPSAS 17, IPSAS 28, and IPSAS 31).







## Auditing Update

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

AUASB have released:

- the July edition of the [International Update](#)
- requests for applications from interested persons for [appointment to the AUASB](#). Applications close 5 September 2014.

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

The IAASB has released Exposure Draft: [Reporting on Audited Financial Statements: Proposed New and Revised International Standards on Auditing](#). The exposure draft seeks views from stakeholders in relation to the IAASB's proposals to enhance auditor reporting globally. The exposure draft includes proposed new ISA 701, Communicating Key Audit Matters in the Independent Auditor's Report, and revisions to a number of existing ISAs. Comments close 22 November 2014.

## Ethics Update

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

The APESB have revised the following exposure draft:

- ED 02/14 Proposed revisions to the [Compilation of Financial Information Standard](#) primarily due to revisions made by the International Auditing and Assurance Standards Board (IAASB) to ISRS 4410 (Revised 2012) Compilation Engagements. Comments close 12 September 2014.

### International Update – International Ethics Standards Board for Accountants (IESBA)

The IESBA recently released:

- [Proposed Changes to Certain Provisions of the Code Addressing the Long Association of Personnel with an Audit or Assurance Client](#) (14 August 2014)
- IESBA have released the [2014 Handbook of the Code of Ethics for Professional Accountants](#). The handbook contains the entire Code of Ethics for Professional Accountants (17 July 2014).

## The Treasury - NSW Government

### New Treasury Policy Papers, Circulars and Research Papers

- [NSW TC 14/24](#) Industrial Relations: Crown Employees (Public Sector – Salaries 2008) Award (6 August 2014)
- [NSW TC 14/25](#) Industrial Relations: Crown Employees Wages Staff (Rates of Pay) Award 2011 (6 August 2014)
- [NSW TC 14/26](#) Industrial Relations: Crown Employees (Public Service Training Wage) Reviewed Award 2008 (6 August 2014)
- [NSW TC 14/27](#) Small Agency Annual Reporting (8 August 2014).

## Department of Premier and Cabinet

### New Ministerial Memoranda and Department Circulars

- [C2014-06](#) Quality Regulatory Services initiative – Guidance for NSW regulators to implement outcomes and risk-based regulation.

## Public Service Commission (PSC)

The PSC has released the following [circulars](#):

- PSCC 2014-11 Determinations by the Statutory and Other Offices Remuneration Tribunal (12 August 2014)
- PSCC 2014-10 Financial disadvantage allowance for former senior officers (To be issued)
- PSCC 2014-09 Changes to annual reporting for senior executives and workforce diversity (30 July 2014).

## Public Accounts Committee

### Reports

[Reports tabled](#) in the NSW Parliament:

- The impact of gambling (14 August 2014)
- Examination of the Auditor-General's Performance Audit Reports September 2012 - March 2013 (12 August 2014)
- 2014 General Meetings (18 August 2014).





## Australian Securities and Investments Commission (ASIC)

Recent [speeches](#) and [consultation papers](#) released:

- Handling of confidential information (5 August 2014)
- CP 221: OTC derivatives reform: Proposed amendments to the ASIC Derivative Transaction Rules (Reporting) 2013. Comments close 29 August 2014.

ASIC [Media Releases](#):

- 14-174MR Review of property schemes' disclosure (23 July 2014)
- 14-180MR ASIC releases ASX assessment report (28 July 2014)
- 14-184MR ASIC enforcement report – January to June 2014 (31 July 2014)
- 14-185MR ASIC launches the National Financial Literacy Strategy 2014-17 (1 August 2014)
- 14-190MR Statement on auditor registration (7 August 2014)
- 14-193MR ASIC Statement of Intent (8 August 2014).

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

[Recent ACNC releases](#):

### 2014 Annual Information Statement guide

Charities reporting to the Australian Charities and Not-for-profits Commission (ACNC) can now access a new [guide](#) to assist them prepare the required 2014 Annual Information Statement (AIS). This statement is the first that will require financial as well as general information about the charity, and in the case of medium and large charities, lodgement of financial reports. Charities have 6 months after the end of their 2014 financial year to lodge their 2014 AIS. Charities may find the new [Reporting Guide for ACNC registered charities](#), recently issued by Chartered Accountants Australia and New Zealand a useful tool.

The latest [Commissioner's column](#) discusses the new ACNC guide and the 2014 reporting arrangements. It also discusses efforts and requests to help in locating 3000 missing charities, ahead of the planned deregistration of the first 250. More details on both these types of charities are contained in the [ACNC notice of revocation](#).

## New Publications by Other Audit Offices

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

- Accident Compensation Corporation: How it deals with complaints (August 2013)
- Ministry of Social Development: How it deals with complaints (August 2013)
- State-owned enterprises: Results of the 2012/13 audits (July 2013)
- Public entities' progress in implementing the Auditor-General's recommendations 2014 (July 2013).

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

- 2014-15:1 Technical and Further Education Institutes: Results of the 2013 Audits (6 August 2014)
- 2014-15:2 Coordinating Public Transport (6 August 2014).

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

- Our Heritage and Our Future: Health of the Swan Canning River System (13 August 2014).

## Useful Resources

### International Update - International Valuation Standards Council ([IVSC](#))

The IVSC has [released](#):

- [Consultation Paper](#): Structure and Scope of the International Valuation Standards. Comments close 10 October 2014.

### Commonwealth Government Treasury

- The Commonwealth Treasury has released a speech by Dr Martin Parkinson: The 2014 G20 Growth Agenda: Why business as usual is not enough (24 July 2014).

### Productivity Commission

The Productivity Commission's [recent releases](#):

- Public Infrastructure inquiry report (14 July 2014)
- Childcare and Early Childhood Learning draft inquiry report (22 July 2014).





## Independent Pricing & Regulatory Tribunal (IPART)

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

- Transport for NSW withdraws 14 paper based tickets from 1 September 2014 (14 August 2014)
- Removing carbon costs from regulated gas prices (15 August 2014).

## Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#):

- ACCC issues Second Carbon Monitoring Report (29 July 2014)
- ACCC issues Carbon Tax Substantiation Notices (8 August 2014).

## Institute of Internal Auditors (IIA)

The Institute of Internal Auditors have released:

- [Exposure draft: Enhancing Internal Audit's Guidance Framework](#) – comments close 3 November 2014
- [Key Tools for Establishing Public Sector Audit Committees](#) (22 July 2014)
- [Independent Audit Committees in Public Sector Organisations](#) (18 July 2014).

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