

Professional update

Accounting and auditing developments |



March 2015

Hot Topics

Hot Topic 1: Revised Governance Lighthouse Guide

The Auditor-General has revised the Audit Office's [Governance Lighthouse guide](#) to focus on ethical and cultural elements conducive to effective governance. Good governance sets a clear direction for an organisation to implement and embed appropriate structures, controls and behaviours. It respects the rights of stakeholders with open and transparent information on organisational activities and performance. Organisations and their leaders should embrace governance cultures that focus on achievement, accountability and ethical behaviour.



The Governance Lighthouse aligns the values that support its eight governance principles with the 2014 Ethical Framework for the NSW Government sector, the revised version of the ASX Corporate Governance Principles and Recommendations and the needs of the NSW public sector. It draws from NSW Treasury's Internal Audit and Risk Management Policy for the NSW Public Sector and the Australian National Audit Office's Public Sector Governance - Strengthening Performance through Good Governance.

Hot Topic 2: Behaving Ethically – tools for making difficult decisions

Behaving ethically can be challenging for employees, particularly in the public sector. Public servants often need to make difficult decisions that take account of government policies, agency business priorities, resource availability, employee requirements, stakeholder interests and/or customer needs.

The *Government Sector Employment Act 2013* (the Act) establishes a new legal requirement for all public sector employees to act ethically and in the public interest. Details of the four government sector core values and the 18 principles that guide implementation can be found in Part 2 of the Act.

This edition includes:

- Revised Governance Lighthouse guide
- Behaving Ethically – tools for making difficult decisions
- Fraud Control
- Global Survey of Audit Committee Members
- Future Hot Topics

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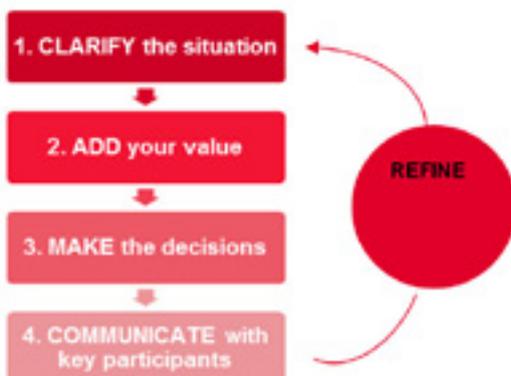


To help agencies and employees better understand and meet their obligations to act ethically and in the public interest under the Act, the Public Service Commission has released [Behaving Ethically: A guide for NSW government sector employees](#). This guide provides two simple practical decision-making tools to help employees make better, ethically informed decisions.

The **Decision Process Tool** - a six step tool to help decision-making where the objective is clear, but there is disagreement about how to meet the objective.



Complex Decisions Tool - a four step tool to help decision-making where uncertainty exists about the desired objective(s). The tool helps users identify the 'best possible' option(s) where there may be no 'best' solution.



The guide contains decision matrixes for each tool, which visually present the differences between the options and help users assess whether the options comply with the objective, values and principles of the ethical framework.

For more details on each tool refer to Section 3 of the guide.

Hot Topic 3: Fraud Control

The Audit Office of New South Wales has issued an updated [Fraud Control Improvement Kit](#). The kit provides practical guidance and resources to help organisations implement an effective fraud control framework to prevent, detect and appropriately respond to fraud.

Primary responsibility for preventing and detecting fraud lies with management and those charged with governance. The kit is designed to help organisations create and/or improve a culture of honest and ethical behaviour.

The kit incorporates issues identified by the Audit Office's 2012 fraud control survey and responds to user feedback.

An effective fraud control framework should include the following ten key attributes. The guide includes a checklist of high-level processes and behaviours expected in for these attributes.

1. Leadership
2. Ethical Framework
3. Responsibility structures
4. Fraud Control Policy
5. Prevention Systems
6. Fraud Awareness
7. Third Party Management Systems
8. Attribute notification systems
9. Detection Systems
10. Investigation Systems.

The kit includes the following resources to help organisations implement the key attributes:

- Fraud Control Checklist
- Risk Assessment Guidance (with examples)
- Fraud Control Health Check
- Fraud Control Improvement Workshops (including participant worksheets)
- Sample Fraud Control Policy
- Procurement Checklist.





Hot Topic 4: Global Survey of Audit Committee Members

The recently-released annual [KPMG survey of Audit Committee Members](#) focusses on the increasing complexity of the role of audit committees. Major risks, such as cyber security, a growing list of compliance requirements and challenges in financial reporting, are now all considered to fall under the purview of audit committees.

Nearly a quarter of the survey respondents reported the time needed to carry out their audit committee responsibilities had increased significantly. Overseeing financial reporting and audit is a major undertaking in itself, and the risk environment is clearly straining many audit committee agendas today.

KPMG also reported the following growing concerns of audit committee members worldwide:

- the quality of risk information needs to improve, particularly on cyber security and technology risk, talent and innovation
- organisations need to beef up their readiness to respond to a loss of critical infrastructure, including financial systems, telecommunication networks, transport and energy/power, and
- Chief Information Officers need to improve their interactions with audit committees.

Committee members considered the greatest areas for external auditors to add value were in offering insights and benchmarking on industry-specific issues, helping the audit committee stay keep up to date and sharing views on the quality of the financial management team. Audit committees are also looking for greater value from internal auditors.

Future Hot Topics

If readers have any suggestions for topics they would like us to cover in future issues of Professional Update, please let us know.

Audit Office of New South Wales

Grant Hehir, NSW Auditor-General:

- attended a World Bank Group meeting of development partners to exchange information on financial accounting and audit development work in the Pacific region (11 February 2015)
- presented to the Department of Health - Combined Forum of Chairs, Audit & Risk Committees and Directors of Finance (19 February 2015)



- presented at the Institute of Internal Auditors - SOPAC Conference 'Contestability – The Public Sector Business Model of the Future' (16 March 2015).

Accounting Update

International Update – International Accounting Standards Board (IASB)

[IASB Meeting Highlights – 18-20 February 2015](#)

Topics discussed included:

- review of IFRS for SMEs
- insurance contracts
- disclosure initiative
- leases
- revenue from contracts with customers
- IFRSs implementation issues
- post implementation review of IFRS3 Business Combinations.

[IASB Speeches and Releases](#)

The IASB has released/published/issued:

- leases project (24 February 2015)
- proposals to clarify the way liabilities are classified (10 February 2015)
- progress on improving the effectiveness of disclosures (18 December 2014)
- narrow scope amendments to investment entity requirements (18 December 2014).

International Update – International Federation of Accountants (IFAC)

IFAC has recently issued:

- [Risk Management and Internal Control in the Public Sector](#) (8 January 2015)
- [Good Governance in the Public Sector](#) (8 January 2015)
- [Governance, Risk Management, and Internal Control in the Public Sector](#) (20 January 2015).

International Update – International Financial Reporting Standards (IFRS) Foundation

[IFRS Advisory Council Meeting Highlights – 23 & 24 February](#)

The Council discussed the following topics:

- Revenue Transition Resource Group



- future of corporate reporting - Global Reporting Initiative.

[IPSASB Meeting Highlights - 10-13 March 2015](#)

The Board discussed the following topics:

- summary of IASB work plan
- emissions trading schemes
- Government Finance Statistics
- public sector financial instruments
- GBEs
- public sector combinations.

Auditing Update

Australian Update – Auditing and Assurance Standards Board (AUASB)

[AUASB Meeting Highlights – 24 February 2015](#)

Topics discussed by the AUASB at its meeting included:

- auditor reporting
- grant acquittals and multi-scope engagements
- GS005 'Using the work of a management's expert'.

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

The IAASB has issued:

- [Auditor Reporting Toolkit– Key Audit Matters](#) (30 January 2015)
- [Information-Gathering Survey on Quality Control](#) (Responses due 27 March 2015)
- [Slide Presentation in Support of the IAASB's New and Revised Auditor Reporting Standards](#) (4 March 2015).

[IAASB Meeting Highlights – 16-20 March 2015](#)

Items discussed included:

- disclosures
- quality control and efficiencies
- financial institutions
- group audits
- auditor reporting including ISA 810 update.

International Forum of Independent Audit Regulators (IFIAR)

- [International audit regulators released their 2014 inspection results.](#)



Ethics Update

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

The IESBA has released:

- [IES 8, Professional Competence for Engagement Partners Responsible for Audits of Financial Statements \(Revised\).](#)

The Treasury - NSW Government

New Treasury Policy Papers, Circulars and Research Papers

- [TPP15-02 Budgeting for Availability based Public Private Partnerships](#) (February 2015)
- [Financial reporting requirements for NSW Government entities including those affected by restructures NSW TC 15-05](#) (12 March 2015)
- [Industrial Relations: Notional Salary 2015-16 NSW TC 15-06](#) (16 March 2015)
- Financial and Annual Reporting requirements arising from personnel service arrangements NSW TC 15-07 (17 March 2015).

Australian Securities and Investments Commission (ASIC)

Recent [speeches](#) released:

- ASIC's Risk Outlook - Greg Tanzer, ASIC Commissioner (13 March 2015)
- Auditing continuous disclosure risk - John Price, ASIC Commissioner (18 March 2015).

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

[Recent ACNC releases:](#)

- National charity regulator urges charities to complete overdue reporting (17 February 2015)
- ACNC to revoke registration of 1,400 charities (23 February 2015).



New Publications by Other Audit Offices

Australian National Audit Office (ANAO)

- Report 25: Administration of the Fifth Community Pharmacy Agreement (5 March 2015)
- Report 26: Administration of the Medical Specialist Training Program (26 March 2015)
- Report 27: Electronic Health Records for Defence Personnel (10 March 2015).

ANAO [Better Practice Guides](#)

- Public Sector Financial Statements: High-quality reporting through good governance and processes (3 March 2015)
- Public Sector Audit Committees: Independent assurance and advice for Accountable Authorities (3 March 2015).

Victorian Auditor-General's Office (VAGO)

- Report 2014–15:23 Education Transitions (18 March 2015)
- Report 2014–15:22 Managing Regulator Performance in the Health Portfolio (18 March 2015).

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

- Report 1: Debt Management (February 2015).

Useful Resources

Commonwealth Government Treasury

- [2015 Intergenerational Report](#).

Commonwealth Government Department of the Environment

The Department of the Environment's [recent releases](#):

- [Four Emissions Reduction Fund methods](#) released for public consultation. Comments close 14 April 2015.

Productivity Commission

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

- On Productivity: Concepts and measurement - Staff research note (25 February 2015).

Independent Pricing & Regulatory Tribunal (IPART)

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

- Fact Sheet - New approach to forecasting the WACC inflation adjustment (6 March 2015).

Australian Competition & Consumer Commission (ACCC)

ACCC [media releases](#):

- ACCC/AER publish International Insights for the Better Economic Regulation of Infrastructure (13 March 2015).

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