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ACCOUNTING UPDATE

Compiled standards

The following compiled standards have been issued which include amendments arising from AASB 2007-4, AASB 2007-5 and Erratum:

- AASB 101 'Presentation of Financial Statements'
- AASB 102 'Inventories'
- AASB 119 'Employee Benefits'
- AASB 121 'The Effects of Changes in Foreign Exchange Rates'
- AASB 129 'Financial Reporting in Hyperinflationary Economies'
- AASB 130 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions'
- AASB 132 'Financial Instruments: Disclosures'
- AASB 133 'Earnings per Share'
- AASB 134 'Interim Financial Reporting'.

Copies of compiled standards are available from the AASB's website: www.aasb.com.au

Standards applicable to financial years 1 July 2006 –30 June 2007

The AASB has prepared a table that lists all standards applicable to the recent financial year. This table is accessed via the AASB's website: www.aasb.com.au.

Proposed interpretation

The AASB has issued a draft interpretation for public comment. The proposals address accounting for Australian petroleum resource rent tax and conclude that AASB 112 'Income Taxes' applies. This is an issue specific to Australia and the finalised interpretation will only apply to this specific tax. The proposed interpretation is available from the AASB's website: www.aasb.com.au. Comments are requested by 12 October 2007.

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Australian Accounting Standards Board (AASB) meeting 5-6 September 2007

ED 155 'Financial Reporting by Whole of Governments'

The Board considered submissions received on this exposure draft and decided that, with few exceptions, the proposals be accepted. The Board will develop a single standard that combines the proposals in ED 155 and the requirements in AASB 1049 'Financial Reporting of General Government Sectors by Governments'.

Not-for-profit entity definition

The AASB plans to issue an exposure draft proposing a definition for 'not-for-profit entity' late in 2007. The proposed definition will be based on the New Zealand framework's definition and guidance.

Service concession arrangements – public sector grantors

The Board decided that an Interpretation Advisory Panel should address:

- For service concession arrangements within the scope of AASB Interpretation 12 'Service Concession Arrangements', does the Interpretation determine the general accounting by public sector grantors through the hierarchy for selecting accounting policies set out in AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors'?
- If so, what accounting treatment is required of public sector grantors and is that appropriate and sufficient?
- If Interpretation 12 does not determine the general accounting by public sector grantors, what accounting may grantors adopt for such arrangements under existing Australian Accounting Standards, and why?

Revision of AASB 101

The Board considered a draft revised AASB 101 'Presentation of Financial Statements' and a draft AASB 2007-X 'Amendments to Australian Accounting Standards arising from AASB 101'. In respect of AASB 101, the Board decided to:

- Discontinue its previous practice of substituting 'financial report' for the international term 'financial statements'
- Adopt the international definition of 'general purpose financial statements'
- Delete the definition of 'Australian equivalents to IFRS'
- Replace the reference to 'Australian equivalents to IFRS with Australian Accounting Standards'.

AASB 2007-8 was subsequently issued in September 2007 incorporating the foregoing. This standard is applicable to annual reporting periods beginning on or after 1 January 2009, though early adoption is permitted.

Updated AASB 1048

A revised version of AASB 1048 'Interpretation and Application of Standards' will shortly be released on the AASB's website. AASB 1048 has been updated for recently released Interpretations. The revised standard will apply to annual reporting periods ending on or after 30 September 2007.

Superannuation

The Board continued its comprehensive review of AAS 25 'Financial Reporting by Superannuation Plans'.

An Interpretation Advisory Panel will prepare recommendations as to how superannuation contributions tax affects the determination of an employer's defined benefit obligations.

Interpretations model

The Board has decided to revise the process for developing interpretations of accounting standards. The Interpretations Agenda Committee will be disbanded and advisory panel recommendations will be used directly by the AASB to develop proposed interpretations and rejection statements.

Annual Improvements Project

The IASB has a project designed to deal with non-urgent, minor amendments to IFRS. The main aim is to eliminate inconsistencies and improve clarity. The project is referred to as the Annual Improvements Project. The Board reviewed the draft proposals to recently come out of this project and agreed they will put forward the proposals as an exposure draft, highlighting those items that may affect current Australian practices.

Other items

The Board considered a draft submission on the International Accounting Standards Board's (IASB) Discussion Paper 'Preliminary Views on Insurance Contracts'.

Source: AASB Action Alert 107, 7 September 2007.

AUDITING UPDATE

Australian Auditing and Assurance Standards Board

New standards

The AUASB is currently working on several new standards that relate to assurance engagements other than audits of general purpose financial reports.

At recent meetings, the AUASB reviewed a proposed exposure draft ASRE 2400 'Review of Financial Reports and Other Historical Information'. This assurance standard will replace AUS 902 'Review of Financial Reports'. The exposure draft will be released shortly with a suggestion that it apply to financial reporting periods commencing on or after 1 January 2008.

The AUASB is also working on a new standard applicable to compliance engagements. Called ASAE 'Compliance Engagements', this assurance standard is aimed at establishing mandatory requirements and providing explanatory guidance on compliance engagements (both reasonable and limited assurance). An exposure draft is expected to issue in late 2007.

An early draft of a new standard on performance engagements has been prepared. This assurance standard will replace AUS 806 'Performance Auditing' and AUS 808 'Planning Performance Audits'. The purpose of the new standard is to establish mandatory requirements and provide explanatory guidance for undertaking and reporting on performance engagements. The standard will apply to performance audits and reviews.

New guidance statements

The AUASB has approved for issue an exposure draft of guidance statement GS 004 'Audit Implications of Prudential Reporting Requirements for General Insurers'. This approval is subject to the Financial Sector Legislation Amendment (Simplifying Regulation and Review) Bill 2007 passing through Federal Parliament. This statement represents a revision of AGS 1064 'Audit Implications of Prudential Reporting Requirements for General Insurers'. GS 004 will provide guidance to the auditor of a general insurer in reporting pursuant to the prudential reporting requirements specified by APRA.

The AUASB is working on a new guidance statement GS 005 'Using the Work of an Actuary'. This statement is a revision of AUS 524 'The Auditor's Use of the Actuary's Work and the Actuary's Use of the Auditor's Work when Preparing a Financial Report'. The statement will only address the auditor's use of the actuary's work, but will extend to the use of this work for other purposes than just in the context of audits of financial reports. An exposure draft is expected to issue shortly.

The AUASB is also working on:

- Revision of AGS 1068 'Audit Requirements for Australian Financial Services Licensees under the *Corporations Act 2001*'. This will be GS 003
- revision of AGS 1056 'Electronic Commerce – Effect on the Audit of a Financial Report'
- Revision of AGS 1050 'Audit Issues Relating to the Electronic Presentation of Financial Reports'. The new statement will be named GS 00X 'Electronic Presentation of the Auditor's Report'
- A new guidance statement addressing the audit implications of AASB 1049 'Financial Reporting of General Government Sectors by Governments'
- A new guidance statement GS 00X 'Audit Implications of the Use of Service Organisations for Investment Management Services'
- A project plan to draft a guidance statement addressing the special considerations in the audit of investor directed portfolio services and investor directed portfolio-like services

Other projects

The AUASB is considering the audit of small and medium sized entities.

Sources: Accounting and Audit News Today Issue No 36, 14 September 2007, AUASB website.

ETHICAL UPDATE

Accounting Professional and Ethical Standards Board (APESB)

Exposure drafts

The APESB has released an exposure draft of APES 205 'Conformity with Accounting Standards'. The proposed APES 205 will replace APS1 'Conformity with Accounting Standards and UIG Consensus Views'. Proposed APES 205 sets out mandatory requirements for members of professional accounting bodies involved with the preparation, presentation, audit, review or compilation of financial reports. Comments are requested by 19 October 2007.

The APESB is currently developing the following exposure drafts:

- ED 0X/07 'Compilation of Financial Reports' (former APS 9)
- ED 0X/07 'Trust Accounts' (former APS 10).

Sources: APESB Media Release, 31 August 2007, APESB website.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

New international pronouncement

The IASB has released a revised version of IAS 1 'Presentation of Financial Statements'. The revised Standard applies to annual reporting periods beginning on or after 1 January 2009, with early adoption permitted.

A copy of the revised Standard is available from the IASB's website: www.iasb.org.

Exposure drafts

The IASB has released two exposure drafts. Proposed amendments to IAS 39 'Financial Instruments: Recognition and Measurement' are intended to clarify what can be designated as a hedged item in a hedge accounting relationship.

ED 9 'Joint Arrangements' proposes a replacement to IAS 31 'Interests in Joint Ventures'.

Comments are requested on both exposure drafts by 11 January 2008. Copies of exposure drafts are available from the IASB's website: www.iasb.org.

International Financial Reporting Interpretations Committee (IFRIC)

Meeting 6-7 September

The IFRIC discussed the following issues:

- IAS 18 'Revenue' – customer contributions. IFRIC is deliberating how to account for contributions when a customer provides an asset to a service provider that is then used to provide a service to that same customer
- IAS 27 'Consolidated and Separate Financial Statements' – non-cash distributions. IFRIC has decided that all dividends payable should be accounting for using a single standard, regardless of the type of asset to be distributed. This single standard is IAS 37 'Provisions, Contingent Assets and Contingent Liabilities'
- IFRS 2 'Share-based payment' – group cash-settled share-based payment transactions. IFRIC decided that certain arrangements are within the scope of IFRS 2
- IAS 39 'Financial Instruments: Recognition and Measurement' – paragraph AG33(d)(iii) and scope of paragraph 11A. IFRIC is addressing an issue about whether a transaction includes an embedded foreign currency derivative and an issue about the application of the fair value option
- Agenda decisions and work in progress.

Source: IFRIC Update September 2007.

International Public Sector Accounting Standards Board (IPSASB)

Exposure draft

The IPSASB has a goal of converging IPSAS with IFRS, where appropriate. To this end, they have released ED 33 'Amendments to IPSAS 4, The Effects of Changes in Foreign Exchange Rates'. ED 33 proposes amendments to update IPSAS 4 for the latest developments in IAS 21 'The Effects of Changes in Foreign Exchange Rates'.

Comments are requested by 31 December 2007. A copy of the exposure draft is available from the IFAC's website: www.ifac.org.

Source: IFRIC Media Release 7 September 2007.

MISCELLANEOUS PUBLICATIONS

Tasmanian Audit Office

- April 2007 – Local Government Authorities and Other Public Bodies 2005-2006
- April 2007 – Management of an award breach and selected allowances and nurses' overtime
- June 2007 – Follow-up audits
- June 2007 – Corporate credit cards
- June 2007 – Risdon Prison: *business case*

These publications are available at www.audit.tas.gov.au.

Australian Capital Territory Auditor-General's Office

- The Firelink Project

This publication is available at www.audit.act.gov.au.

Australian National Audit Office

- Australia's Preparedness for a Human Influenza Pandemic
- What Government lawyers can do to bring about positive change in their agency (Speech)
- Fairness and Transparency in Purchasing Decisions, Probity in Australian Government Procurement (Better Practice Guide)

These publications are available at www.anao.gov.au.

Northern Territory Auditor-General's Office

- August 2007 Report to the Legislative Assembly

This publication is available at www.nt.gov.au/ago.

Victorian Auditor-General's Office

- 2007 Annual Report
- Program for Students with Disabilities: Program Accountability

These publications are available at www.audit.vic.gov.au.

Office of the Auditor General for Western Australia

- Management of Native Vegetarian Clearing
- 2007 Annual Report

These publications are available at www.audit.wa.gov.au.

ACRONYMS AND ABBREVIATIONS

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
AIFRS/AEIFRS	Australian Equivalents to International Financial Reporting Standards
APRA	Australian Prudential Regulation Authority
ASA	Australian Auditing Standard
ASIC	Australian Securities and Investments Commission
AUASB	Auditing and Assurance Standards Board
ED	Exposure Draft
FASB	Financial Accounting Standards Board (USA)
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
GG	Government Gazette
GG SS	Government Gazette Special Supplement
GGS	General Government Sector
GPFR	General Purpose Financial Report
IAASB	International Auditing and Assurance Standards Board
HoTARAC	Heads of Treasuries Accounting and Reporting Advisory Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFAC	International Federation of Accountants
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
ISQC	International Standards on Quality Control
PCAOB	Public Company Accounting Oversight Board

ACKNOWLEDGEMENTS

The Tasmanian Audit Office gratefully acknowledges the Audit Office of NSW for permitting us to use material from its Awareness newsletter.

COPIES OF REPORTS AND PUBLICATIONS

Tasmanian Audit Office reports are available on the office's web site at www.audit.tas.gov.au.

Publications of the Australian Auditing and Assurance Standards Board (AUASB) including auditing and assurance standards, guidance statements, other guidance and exposure drafts are available direct from the AUASB as follows:

Australian Auditing and Assurance Standards Board
Phone: (03) 8080 7400
Fax: (03) 8080 7450
Postal Address: PO BOX 204 Collins Street West, Victoria 8007
Website: www.auasb.gov.au.

Publications of the Australian Accounting Standards Board (AASB), including Accounting Standards and Exposure Drafts are available direct from the AASB as follows:

Phone: (03) 9617 7600
Fax: (03) 9617 7608
Postal Address: PO BOX 204 Collins Street West, Victoria 8007
Website: www.aasb.com.au

Copies of International Federation of Accountants (IFAC) publications may be obtained direct from IFAC, 535 Fifth Avenue, 14th Floor, New York, NY 10017, USA (tel 212/286.9344 or fax 212/286.9570 or by visiting the IFAC web site at www.ifac.org).

Copies of International Accounting Standards, Exposure Drafts and International Accounting Standards Board (IASB) publications may be obtained direct from the IASB, 30 Cannon Street, London EC4M 6XH, United Kingdom (tel +44 (020) 7332-2730 or fax +44 (020) 7332-2749 or email publications@iasb.org or Internet www.iasb.org).

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