

ACCOUNTING & AUDITING DEVELOPMENTS

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OUR PURPOSE

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector

OUR VALUES

Professionalism, Respect,
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Continuous Improvement

ACCOUNTING UPDATE

Financial Instruments

Extract: 'Financial Instrument Impairment – Crunch Time' with David Sauer

The recent global financial crisis and resulting declines in market values clearly represent a trigger for impairment of financial instruments at balance date. The decline in economic conditions will also prompt impairment assessments in a range of unlisted financial instruments, from trade debtors to derivatives.

Some important issues on application of impairment of financial assets:

- Fair value declines on financial assets categorised as 'available for sale' are recognised directly in equity if they do not meet the criteria of 'significant' or 'prolonged'. If either of those criteria is satisfied, the fair value decline is an impairment loss, with total decline in value since initial recognition recognised in the income statement. Entities should have a policy on what represents those criteria. Even if they determine that there is no impairment, disclosure may be required about critical assumptions and accounting policy choice.
- Impairment losses on equity instruments categorised as 'available for sale' are reversed only through increments direct to equity, even though the losses were expensed through the income statement.
- In applying the fair value hierarchy, the absence of an active or orderly market is not sufficient reason to work with a valuation model using management assumptions alone. Recent guidance makes clear the need to use market reference points, if they are available, in valuation models. Financial asset values need to reflect the

uncertainty in current markets even when management may hold a more positive view. The preparer needs to be clear as to the basis of fair value, which will be disclosed in the financial report, and where it fits into the newly specified hierarchy of:

- o Level 1 – unadjusted quoted prices at the measurement date sourced from active markets for identical financial assets.
- o Level 2 – directly or indirectly observable quoted prices; indirect observation means using market quotes for valuation inputs.
- o Level 3 – unobservable inputs into a valuation model.

Some entities will be in a position where the Level 1 data previously used is no longer available, so that much more work is involved in financial asset measurement. Assessments of fair value may require a 'look-through' of investment vehicles, with consequential difficulties in accessing information and making judgements. Where those vehicles are using cost accounting, their financial statements may be an inadequate reference point.

- Some financial assets such as intra-group loans and investments in subsidiaries may be supported by guarantees. Their effectiveness, including consideration of all consequences of exercising those guarantees, should be considered in impairment assessments. Similarly, reliance on insurance contracts that support fair value may need to be reviewed to consider the financial capacity of the insurer.

Source: GAAP Alert No. 21/2008 (9 December 2008)

Extract: 'Financial Instruments: Disclosure – Learning the Lessons' with Stephen LaGreca

AASB 7 'Financial Instruments: Disclosure' helps users understand how an entity manages its risks related to financial instruments. It also helps entities to explain how they manage such risks. The following common threads have emerged:

- preparers lack knowledge on information requirements
- accounting systems did not capture the information so extensive manual collation was required
- templates used to fast track preparation had little consideration of the relevance and usefulness of the disclosures
- sensitivity analysis was an issue
- audit staff needed more extensive training in the whole topic of financial instruments.

A review of a number of smaller listed entities observed the following:

- The financial risk management disclosures were very general and dominated by template disclosures, which could apply to any entity. No insight was provided into the actual policies or procedures of the companies. This is despite the current financial market turmoil, and its impact on the sources of debt and capital. With the exception of maturity tables (not enough time buckets) and market risk sensitivities (simplistic), there is very little quantitative data provided.
- Credit Risk disclosures had little real insight in the credit policies adopted, in particular, credit scoring and use of credit bureau. There was little information on how concentration risk was identified and mitigated.

- The biggest omission from liquidity risk was the impact of covenants on maturity profiles. There was no mention of the fact there are usually annual reviews in most borrowing agreements, which can trigger either re-pricing or accelerated repayment. The maturity buckets were uninformative due to the use of 1-5 year bucket.
- For market risk, most notes had some sensitivity analysis, usually 10% for currency and 100 basis points for interest rates. However, 10% may not be appropriate, particularly in the case of foreign exchange where some currencies may be more or less volatile than others. A similar case may be made for interest rate movements in relation to foreign currency borrowings. Aside from the use of derivatives to manage foreign exchange and interest rate risk there is no mention of other techniques, i.e., use of multiple rollover dates for debt to manage repricing risk.
- Capital Disclosures was the poorest section dominated by the use of template disclosure; it begs the question as to whether the companies have a documented and well thought out capital management plan. There is little disclosure of targets. There is no mention of required return on capital employed, how excess capital is determined, and the optimisation of capital structures with hybrids. There should be a policy of how imbalances in the capital measure will be rectified with a tiered approach in both the cases of excess and insufficient capital.

AASB 7 disclosures need to be updated each year; financial risks, fair values, and assumption change, as do the entity's business operations. Expect users to pay particular attention to AASB 7 disclosures.

Source: GAAP Alert No. 21/2008 (9 December 2008)

Australian Accounting Standard Board (AASB) Pronouncements

AASB 2008-12 Amendments to Australian Accounting Standards – Reclassification of Financial Assets – Effective Date and Transition

The Standard clarifies the effective date of the amendments made to AASB 139 Financial Instruments: Recognition and Measurement and AASB 7 Financial Instruments: Disclosures as a result of the issuance of AASB 2008-10 Amendments to Australian Accounting Standards - Reclassification of Financial Assets in November 2008.

Source: AASB News (19 December 2008)

AASB Interpretation 17 Distributions of Non-Cash Assets to Owners

The Interpretation provides guidance on the measurement of non-cash distributions to owners (dividends), other than those transactions subject to common control. It corresponds with IFRIC 17 issued by the IASB in early December 2008.

The Interpretation clarifies that dividends payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity. Such dividends should be measured at the fair value of the net assets to be distributed, with any difference between this and carrying value being taken to profit and loss.

AASB Interpretation 17 applies prospectively for annual reporting periods beginning on or after 1 July 2009. Source: ANT Issue 02 (16 January 2009)

AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 Distributions of Non-Cash Assets to Owners

AASB 2008-13 makes consequential amendments to AASB 5 and AASB 110.

Amendments to AASB 5 include:

- A non-current asset classified as held for distribution to owners shall be measured at the lower of its carrying amount and fair value less costs to distribute; i.e. similar to a non-current asset classified as held for sale.
- The classification, presentation and measurement requirements applicable to a non-current asset classified as held for sale are also applicable to a non-current asset classified as held for distribution to owners.
- An entity must be committed to distribute a non-current asset classified as held for distribution to owners and the asset must be available for distribution in its present condition with the distribution being highly probable. 'Highly probable' means that the distribution should have been initiated, that the expected completion is within one year from the date of classification and that the likelihood of shareholder approval is also an important consideration.

AASB 110 is amended to state that dividends declared after the reporting period, but before the financial statements are authorised for issue, are not recognised as a liability for the reporting period because no obligation exists at that time.

AASB 2008-13 apply prospectively for annual reporting periods beginning on or after 1 July 2009.

Source: CPA Media Release (12 January 2009)

Technical Article on Not-for-profit entity requirements in Australian Accounting Standards

The AASB has updated the technical article 'Not-for-profit (NFP) entity requirements in Australian Accounting Standards'. The document identifies requirements in Australian Accounting Standards that relate specifically to NFP entities. Part A of the document outlines the main issues and accounting treatments required when a NFP entity has a for-profit subsidiary. Part B identifies paragraphs in Australian Accounting Standards that relate to NFP entities and briefly describes the reasons for including specific paragraphs.

The updated article is available here:

http://www.aasb.com.au/admin/file/content2/c7/NFP_requirements_Dec_2008.pdf

Source: ANT Issue 03 (23 January 2009)

AASB Exposure Drafts and Invitations to Comment

ED 170 Relationships with the State (Proposed Amendments to AASB 124)

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This ED proposes simplifying the disclosure requirements imposed by IAS 24 'Related Parties' on state controlled entities in relation to their transactions with other state controlled entities.

The IASB previously issued an ED on this topic in 2007 that exempted state-controlled entities from providing disclosures about transactions with other state-controlled entities, if specific conditions were met. However, respondents to that ED argued that the requirements were still too complex.

The new proposals do not require state-controlled entities to assess the extent of state influence and thus exempt such entities from providing full details about transactions with other state-controlled entities and the state. Instead, it requires general disclosures about the types and extent of significant transactions.

The discussion paper is available on the AASB website (www.aasb.com.au).

Source: AASB website and ANT Issue 02 (16 January 2009)

ED 171 Consolidated Financial Statements

The proposals:

- present a new, principle-based, definition of control of an entity that would apply to a wide range of situations and be more difficult to evade by special structuring
- include enhanced disclosure requirements that would enable an investor to assess the extent to which a reporting entity has been involved in setting up special structures and the risks to which these special structures expose the entity.

The discussion paper is available on the AASB website (www.aasb.com.au). Comments are due to the IASB by 20 March 2009.

Source: AASB website and ANT Issue 01 (12 January 2009)

ED 172 Embedded Derivatives (Proposed Amendments to AASB Interpretation 9 and AASB 139)

This ED clarifies the financial instrument reclassification amendments made in October 2008 to ensure that embedded derivatives are not incorrectly treated when hybrid financial assets are reclassified in accordance with these new requirements. The proposed amendments will require an entity to assess whether an embedded derivative needs to be separated from the host contract prior to reclassifying the hybrid instrument and make that assessment based on the circumstances that existed when the parties first entered into the contract. If separation is required but the fair value of the embedded derivative cannot be reliably measured then reclassification will not be permitted.

The discussion paper is available on the AASB website (www.aasb.com.au).

Source: AASB website and ANT Issue 01 (12 January 2009)

ED 173 Investments in Debt Instruments (Proposed Amendments to AASB 7)

Proposals require entities to provide additional disclosures on all investments in debt instruments, other than those classified in the 'fair value through profit or loss' category.

The new disclosures will show the effect on before-tax profit and loss that classifying these instruments as either at amortised cost or available for sale would have had. It will also permit comparison of their values in the statement of financial position with their fair value and amortised cost.

The discussion paper is available on the AASB website (www.aasb.com.au).

Source: AASB website and ANT Issue 01 (12 January 2009)

ED 174 Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS

ED 174 includes proposals for the harmonisation of Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS) for entities within the General Government Sector (GGS).

If adopted, the proposals would potentially change the format of financial statements issued by certain government controlled entities, including government departments and statutory authorities. The proposals would result in the financial statement formats of those entities and their controlling governments looking broadly the same.

The ED is available on the AASB website (www.aasb.com.au) and comments are due to the AASB by 19 May 2009.

Source: AASB News (14 January 2009)

ITC 18 Requests for Comment on IASB Discussion Paper - Preliminary Views on Revenue Recognition in Contracts with Customers

This discussion paper invites comments on the preliminary view of a single, contract-based revenue recognition model that can be applied consistently regardless of the industry. The new model is based on the underlying principle that revenue should be recognised when an entity satisfies a performance obligation by transferring goods or services as per the contractual agreement.

While the principle is similar to many of the existing revenue recognition models currently in use in various accounting standards (meaning that many entities will not undergo significant changes), one model, consistently applied, will be of significant benefit to improve the comparability and understandability of reporting revenue for users.

The discussion paper is available on the AASB website (www.aasb.com.au) and comments are due to the AASB by 24 April 2009. Comments are due to the IASB by 19 June 2009.

Source: AASB website and ANT Issue 02 (16 January 2009)

ITC 19 IASB Discussion Paper Preliminary Views on Financial Statement Presentation

The discussion paper contains an analysis of the current issues in financial statement presentation and presents the IASB's initial thinking on how those issues could be addressed in a possible future format.

The IASB and the FASB propose to introduce cohesiveness and disaggregation as the two main objectives for financial statement presentation. Cohesiveness would ensure that a reader of financial statements could follow the flow of information through the different statements of an entity; disaggregation would ensure that items that respond differently to economic events are shown separately.

To achieve these main objectives the boards have developed a principle-based format that is presented in the discussion paper. The model is designed to make an entity's financial statements more useful. The proposals will have wide-ranging implications for business.

The discussion paper is available on the AASB website (www.aasb.com.au) and comments are due to the AASB by 31 March 2009. Comments are due to the IASB by 14 April 2009.

Source: AASB News (9 January 2009) and ANT Issue 02 (16 January 2009)

Discussion Paper 'Initial Accounting for Internally Generated Intangible Assets'

This discussion paper advocates consistent fair value measurement in the initial accounting for such assets. Current accounting standards treat internally generated intangible assets acquired through a business combination differently from the same kind of assets that are internally generated.

This is intended to be the first in a number of papers addressing intangible asset measurement issues.

The discussion paper is available on the AASB website (www.aasb.com.au) and comments are due to the AASB by 15 May 2009.

Source: AASB website and GAAP Alert No. 21/2008 (9 December 2008)

AASB Meeting

AASB Meeting Highlights – 19 December 2008

At its meeting, the AASB discussed the following items.

- **Superannuation Plans and Approved Deposit Funds** - The Board continued discussions on the draft exposure draft (ED), with further amendments requested for consideration at the February meeting.
- **GAAP/GFS Harmonisation** - The Board considered a draft ED 'Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within GGS'. The Board approved the ED for issue, subject to some final amendments. During early stages of the comment period, they will develop an illustrative example of financial statements ready for consideration at roundtables in Melbourne and Canberra.

- **Income from non-exchange transactions** - A draft ED with examples based on IPSAS 23 'Revenue from Non-Exchange Transactions' was considered. Some issues require clarification and the draft ED will be reconsidered at the next AASB meeting.
- **Interpretations – Distributions of Non-cash Assets to Owners** - The Board considered and approved AASB Interpretation 17 'Distributions of Non-cash Assets to Owners' and the related amending standard effective from 1 July 2009.
- **Interpretations – Superannuation Contributions Tax** – The Board considered a draft interpretation, with amended version to be reconsidered at the next AASB meeting.
- **Modifying IFRS for Not-for-Profit Entities** - The Board was updated on the status of the New Zealand Financial Reporting Standards Board (FRSB) on identifying criteria for consideration when determining whether IFRS should be modified for not-for-profit entities.
- **Reclassification of Financial Assets in relation to insurers** - The Board decided not to proceed with an ED on this issue. Therefore, the reclassification amendment will remain available to insurers.
- **Revenue Recognition** - The Board discussed the joint IASB/FASB Discussion Paper on Revenue Recognition in Contracts with Customers. The AASB determined it would hold roundtables during the comment period.
- **Borrowing Costs** - The Board's submission to the IPSASB regarding the proposed amendments to IPSAS 5 'Borrowing Costs' was finalised, which in essence states that the AASB does not support the justification provided by IPSASB for the departure from IAS 23 'Borrowing Costs'. The Board also decided to defer the application date of AASB 123 'Borrowing Costs' for the public sector until completion of IPSAS 5 and the FRSB's project on borrowing costs and depreciated replacement cost.
- **Differential Reporting** - The Board tentatively agreed that financial statements made available to the public at large under a legal mandate would be general purpose financial reports (GPFs). Discussions to continue at a future meeting.
- **IASB Exposure Drafts** - Submissions on each of the ED's relating to amendments to IAS 33 'Earnings per Share', IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS 7 'Financial Instruments: Disclosures' and IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' were considered and approved.

IASB is expected to issue an ED on embedded derivatives relating to hybrid financial instruments that are classified at fair value through profit or loss, with comment sought by 22 January 2009. The Board will issue their ED with comments due 16 January 2009. IASB is expected to issue a number of EDs. The Board agreed to subsequently issue corresponding EDs with Australian preface.

Source: AASB Action Alert No 121 (19 December 2008) and ANT Issue 49 (19 December 2008)

AUDITING UPDATE

Auditing and Assurance Standards Board (AUASB)

GS 001 Concise Financial Reports

This Guidance Statement has been updated in line with recent changes made to Accounting Standard AASB 1039 'Concise Financial Reports' by the AASB. It applies to audits of a concise financial report prepared under the revised Accounting Standard.

The changes to the guidance statement GS 001 include aligning terminology with AASB 1039 and providing guidance on an auditor's report on a concise financial report.

Source: AUASB News (9 December 2008)

AUASB releases two Exposure Drafts of ASAs in Clarity Format

The exposure drafts are:

- ASA 530 'Audit Sampling'
- ASA 610 'Using the Work of Internal Auditors'

The exposure drafts are available on the AUASB website (www.auasb.gov.au).

Source: AUASB ASA redrafting news (5 December 2008)

AUASB Meeting

AUASB Meeting Highlights – 1 & 2 December 2008

The Board discussed a working document based on ASA 100 'Preamble to AUASB Pronouncements'. This interpretive document is being revised progressively as other standards are redrafted. Progressive versions are available on the AUASB website (www.auasb.gov.au) to assist constituents in responding to exposure drafts.

The Board received an update on matters relating to the Department of Climate Change on its 'External Audit Consultation Paper'. Consultation with The Department of Climate Change is ongoing, and over the next month, the AUASB will provide staff assistance to the Department to assist in the finalisation of auditing requirements for the NGER Scheme.

On 2 December 2008, the Board held a consultative meeting in Melbourne with more than 30 stakeholders, including the Institute, audit practitioners, regulators, other standard setters, academics and other professional accounting bodies.

The Board presented a summary of its current and future work program, which includes:

- the ongoing 'Clarity' revisions of the suite of auditing standards, due for completion in 2009 and applicable for audits of financial reporting periods commencing on or after 1 January 2010

- SME auditing and assurance issues
- assurance standards and guidance on subject areas other than historical financial reports and information
- assurance on sustainability matters including the National Greenhouse and Energy Reporting System (including Emissions Trading)
- assurance on prospective financial information
- other significant industry specific auditing and assurance matters (such as Self Managed Superannuation Funds and XBRL (extensible Business Reporting Language) issues.

The Board solicited feedback on six major topics, and invited participants to raise other matters as well. The topics were:

- auditing in periods of financial instability
- Clarity project – timing, implementation issues, costs and benefits
- assurance on sustainability reporting
- applying auditing standards in the SMP / SME environment
- assurance reporting (other than historical financial information)
- interface between auditing standards and other regulatory and professional requirements

Participants encouraged the Board to address the first four topics above by way of further guidance. There is a particular need for guidance regarding the application of the auditing standards to what may be termed 'micro audits'.

Source: AUASB Meeting Highlights (1 December 2008) and ANT Issue 47 (5 December 2008)

FINANCIAL REPORTING COUNCIL (FRC)

Meeting Highlights – 26 November 2008

The meeting covered the following items:

- an update on recent international and stakeholder meetings
- outcomes of the Public Sector accounting workshop
- appointments to the AASB and AUASB

For further details, go to the FRC website – www.frc.gov.au.

Source: FRC Bulletin - Issue 2008/06 (26 November 2008)

Member appointments and reappointments of the AASB & AUASB

The FRC approved the new appointments and reappointments of members to the AASB and the AUASB.

The AASB members from 1 January 2009 until 31 December 2011 are:

- Mr Victor Clarke, Partner, PricewaterhouseCoopers
- Mr Ian McPhee, Auditor General of Australia.
- Mr John O'Grady, Partner, Ernst & Young
- Mr Glenn Appleyard, Economic Consultant

AUASB members from 1 January 2009 until 31 December 2011:

- Mr Chris Hall, Partner, KPMG
- Mr David Simmonds, Partner, Ernst & Young
- Mr Mike Blake, Auditor General of Tasmania
- Mr Greg Pound, Independent Consultant
- Ms Elizabeth Johnstone, Partner, Blake Dawson
- Mr Colin Murphy, Auditor General of Western Australia

Source: FRC Bulletin - Issue 2009/01 (5 January 2009)

Memorandum of Understanding between the FRC & APRA

The FRC has entered into a new Memorandum of Understanding (MOU) with the Australian Prudential Regulation Authority (APRA). The new MOU provides that APRA will report to the FRC, at least annually, on matters relating to auditor independence. The MOU also provides that APRA will report to the FRC on compliance with APRA's reporting requirements that are relevant to the FRC's functions, when such matters arise.

Source: FRC Bulletin - Issue 2008/06 (26 November 2008)

ETHICS UPDATE

Accounting Professional and Ethical Standards Board (APESB)

ED 05/08 Proposed Standard APES 330 Insolvency Services

Proposed Standard APES 330 'Insolvency Services' will replace APS 7 'Statement of Insolvency Standards'. It covers the following topics:

- fundamental responsibilities of members in public practice
- professional independence and conflicts of interest

- professional engagement matters
- dealings with property
- expert witness obligations
- professional fees
- documentation and quality control

The exposure draft is available on the APESB website (www.apesb.org.au).

Source: APESB Media Release (24 December 2008)

Withdrawal of APS 9 Statement of Compilation of Financial Reports

APESB has withdrawn APS 9 'Statement on Compilation of Financial Reports' with effect on 31 December 2008. APES 315 'Compilation of Financial Information' that is effective from 1 January 2009 will replace APS 9.

Copies of the replacement standard and the basis for conclusions are available from the APESB website (www.apesb.org.au).

Source: APESB Technical Update (9 January 2009)

ASIC UPDATE

Capital Markets Update

ASIC Commissioner, Belinda Gibson, gave a speech to the Australasian Investor Relations Association 2008 Annual Conference on capital markets update.

Topics discussed include:

- disclosure in a stressed economy
- ASIC's capital markets taskforce – improving enforcement of market abuse offences
- analyst briefings – ensuring all investors have access to information

The speech is available on the ASIC website (www.asic.gov.au).

Source: ASIC Speeches (27 November 2008)

ASIC Review of 30 June 2008 Financial Reports

ASIC issued guidance to entities preparing their 31 December 2008 financial and audit reports. This guidance incorporates specific issues identified through ASIC's review of 30 June 2008 financial reports. ASIC recommends entities focus on:

- going concern
- impairment of assets
- determining fair values
- off balance sheet arrangements
- new financial instrument disclosures

Further details are available on the ASIC website (www.asic.gov.au).

Source: ASIC Media Release (3 December 2008) and ANT Issue 47 (5 December 2008)

Short Selling of Financial Securities

ASIC will keep the ban on covered short selling of financial securities in place until 6 March 2009.

ASIC's current reporting and disclosure regime on short selling data will continue pending the commencement of the Government's permanent measures. Continuing to require disclosure of covered short selling will reduce the potential for abusive behaviour and disorderly markets.

Source: ASIC Advisories 09-05 (21 January 2009)

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

IFRIC 18 Transfers of Assets from Customers

The Interpretation is particularly relevant for the utility sector. It clarifies the requirements of International Financial Reporting Standards (IFRSs) for agreements in which an entity receives an asset from a customer that is used to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services. In some cases, this asset is cash to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provides the customer with ongoing access to a supply of goods or services or both.

The Interpretation clarifies:

- circumstances in which the definition of an asset is met
- recognition and measurement of the asset

- identification of the separately identifiable services
- recognition revenue
- accounting for transfers of cash from customers.

The Interpretation is effective for transfers or assets from customers on or after 1 July 2009.

Source: IASB Press Release (29 January 2009)

IASB Meeting Highlights - 15-19 December 2008 Meeting

At its meeting, the IASB discussed the following items:

- global financial crisis
- annual improvements
- conceptual framework
- first time adoption of IFRSs
- IFRS for private entities
- liabilities – amendments to IAS 37
- rate-regulated activities
- share based payments.

For further information see the IASB Update (<http://www.iasb.org/NR/rdonlyres/04DB03F3-A6FE-47FD-AAD2-55A9B32C3280/0/IASBUpdateDec08.pdf>) for December 2008.

International Federation of Accountants Committee (IFAC)

Audit Practice Alert – New IFAC Paper Highlights Roles of Regulators and Profession in Standard-Setting Process

IFAC released a policy position paper that describes and explains the international standard-setting process, particularly for International Standards on Auditing (ISAs). The paper 'International Standard Setting in the Public Interest' explains the shared responsibility between public and private sector organisations to produce high quality standards that are in the public interest. The paper identifies the underlying principles of legitimacy, independence, accountability, transparency and performance that are key to a successful standard-setting process. It also describes how the structures and processes of the independent standard-setting boards in the areas of international auditing, ethics and accounting education are consistent with these principles.

A copy of the paper is available from the IFAC website (www.ifac.org).

Source: IFAC News Releases (12 December 2008)

International Auditing and Assurance Standards Board (IAASB)

Audit Practice Alert – Audit Considerations in Respect of Going Concern in the Current Economic Environment

The IAASB has issued this alert to raise auditors' awareness about matters relevant to the consideration of the use of the going concern assumption in the preparation of the financial statements in the current environment. In particular, management, those charged with governance and auditors alike will face the challenge of evaluating the effect of the credit crisis and economic downturn on an entity's ability to continue as a going concern and whether these effects on the entity ought to be described, or otherwise reflected, in the financial statements.

Key messages within this Alert include:

- The going concern assumption is a fundamental principle in the preparation of financial statements.
- The assessment of an entity's ability to continue as a going concern is the responsibility of the entity's management.
- The appropriateness of the use of the going concern assumption is a matter for the auditor to consider on every audit engagement.
- International Standard on Auditing (ISA) 570, "Going Concern," establishes the relevant requirements and guidance with regard to the auditor's consideration of the appropriateness of management's use of the going concern assumption and auditor reporting.
- The credit crisis and economic downturn have led to a lack of available credit to entities of all sizes, which may affect an entity's ability to continue as a going concern; this and other factors may be relevant in the auditor's evaluation of forecasts prepared by management to support its going concern assessment.
- The extent of disclosures in the financial statements is driven by management's assessment of an entity's ability to continue as a going concern, coupled with the disclosure requirements of the applicable financial reporting framework.
- Consideration of the need for an 'emphasis of matter' paragraph in the auditor's report will be a difficult matter of judgment to be made in the context of the entity's circumstances; the mere existence of the credit crisis, though referred to in the financial statements, does not of itself create the need for an emphasis.

A copy of the alert is available on the IFAC website (www.ifac.org).

Source: IFAC News Releases (21 January 2009)

MISCELLANEOUS PUBLICATIONS

Senate Committee Final Report on Not-for-profit Disclosure Regimes

The Senate Standing Committee on Economics has released their final report on 'Disclosure Regimes for Charities and Not-for-profit Organisations'.

The recommendations include:

- agreement from all Australian Governments on common terminology when referring to organisations within the sector
- unit to be established within the Department of Prime Minister and Cabinet for dealing with issues in this sector
- recommendation for a single independent national regulator for not-for-profit organisations with a similar function to regulators overseas
- Commonwealth government to develop the legislation in order to establish the national regulator
- National regulator to provide information to the ABS on size and composition of the sector
- a single mandatory specialist legal structure to be established for organisations through referral of state and territory powers
- Henry review to include an examination of taxation measures effecting not-for-profit organisations with a view to simplifying these arrangements
- a national fundraising Act to be developed through referral of state and territory powers
- a tiered reporting system based on total annual revenue to be established
- Commonwealth to work with the sector to develop a standard chart of accounts
- a new disclosure regime containing narrative and numeric reporting, as well as financial reporting to be developed acknowledging the different information needs to that of the business sector
- National regulator to investigate the cost vs. benefit of technology involving a website that publishes information on the aims and activities of not-for-profit organisations
- a taskforce to be established for the purposes of implementing the proposals in this report. This task force will report to the COAG.

Source: ANT Issue 47 (5 December 2008)

Australian Government White Paper on the Carbon Pollution Reduction Scheme

The Government released the Carbon Pollution Reduction Scheme (CPRS) White Paper, which outlines the final design of Australia's forthcoming emissions trading scheme. The Government still intends for the scheme to commence in 2010. The final design is very similar to the preferences outlined in the green paper released in July.

The government has decided not to pursue the issue of Australian specific accounting standards for the treatment of emissions permits and will instead wait for the IASB exposure draft and subsequent AASB exposure draft to be released in 2009.

The White Paper is available on the Department of Climate Change website (www.climatechange.gov.au/whitepaper/report).

Source: ANT Issue 49 (19 December 2008)

Draft Amendments to NGER Regulations

Draft amendments to the National Greenhouse and Energy Reporting Amendment Regulations 2008 are on the Department of Climate Change website (www.climatechange.gov.au/reporting). These amendments are required to improve the administration of the National Greenhouse and Energy Reporting System. They do not signal changes to reporting requirements for corporations.

APRA Revised Audit Requirements for ADIs

APRA revised its prudential standard on audit requirements for Authorised Deposit-taking Institutions, APS 310 'Audit and Related Matters'. The revisions follows consultation with the audit profession and the industry with the aim of ensuring that APRA is provided with independent advice from an ADI's auditor in relation to its operations and risk control environment, as well as assurance that data provided to APRA are reliable.

Source: APRA Media Release (23 December 2008) and ANT Issue 02 (16 December 2009)

Australian National Audit Office Reports

- AUDITFocus December 2008
- The Australian Taxation Office's Administration of Business Continuity Management
- The Australian Institute of Marine Science's Management of its Co-investment Research Program
- Audits of the Financial Statements of Australian Government Entities for the Period Ended 30 June 2008
- Government Agencies' Management of their Websites
- Active After-school Communities Program

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

ACT Auditor-General's Office Reports

- Performance Audit Report „Proposal for a gas-fired power station and data centre – site selection process“
- Auditor-General report on 2007-08 Financial Audits

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

Northern Territory Auditor-General's Office Report

- November 2008 report to the Legislative Assembly

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

The Audit Office of NSW Report

- Auditor-General's Report to Parliament 2009 Volume One

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

Independent Commission Against Corruption (ICAC) Publications

- Investigation into bribery and fraud at RailCorp – Eighth Report, Corruption Prevention
- Investigation into tendering and payments in relation to NSW Fire Brigades capital works projects
- Corruption Matters Issue No. 32 December 2008

These reports are available at www.icac.nsw.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
ASEA	Australian Standard on Assurance Engagements
ASIC	Australian Securities and Investments Commission
ASRE	Australian Standard on Review Engagements
AUASB	Auditing and Assurance Standards Board
ED	Exposure Draft
FASB	Financial Accounting Standards Board (USA)
GAAP	Generally Accepted Accounting Principles
GFS	Government Finance Statistics
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

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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