

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, Camaraderie, Customer Focus & Continuous Improvement

AUDIT OFFICE UPDATE

Audit Act 2008

Through various forums agencies and other public sector entities, including local government entities, have been kept informed as the Audit Bill 2008 progressed through the Parliament. The Bill introduced a number of changes when compared with the audit responsibilities outlined in the *Financial Management and Audit Act 1990* (FMAA). On 1 March 2009 the *Audit Act 2008* (the Audit Act) was proclaimed and I am writing to you to outline the changes that the Act will introduce for both your activities and ours. A copy of the Act can be found at www.thelaw.tas.gov.au. Please note that my commentary below does not deal with every aspect in the Audit Act.

Overarching provisions

The Audit Act is the sole authority for public sector audit functions within Tasmania, providing a consistent audit approach for all State entities within the State and Local Government sectors. All requirements relating to the audit of financial statements, general investigative powers and to performance and compliance audits are contained in the Audit Act and audit provisions in other Tasmanian Acts have, as far as possible, been removed.

State entity

A new definition of a "State entity" contained within the Audit Act now encompasses all public sector entities including those established under the *Local Government Act 1993*. It includes an agency, council, Government Business Enterprise, State-owned Company, State Authority, Corporations established by the *Water and Sewerage Corporations Act 2008* and the governing body of any corporation, body of persons or institution that are appointed by a Minister or by the Governor.

Independence of the Auditor-General (section 10)

The independence of the Auditor-General is directly addressed in the Audit Act. This section authorises and requires the Auditor-General to act independently in relation to the performance of the functions of the Auditor-General. The section also establishes the Auditor-General's complete discretion in the performance of those functions, subject to the Audit Act and other Tasmanian laws.

This section also provides that the Auditor-General is not subject to direction from anyone in relation to his audit functions, including any decision as to whether or not an audit is to be conducted, how an audit is to be conducted or in relation to the content of any report arising from an audit.

Annual work plan (section 11)

I must consult with the Public Accounts Committee (PAC) in relation to my annual work plan with the plan to ultimately be transmitted to the Speaker of the House of Assembly and to the President of the Legislative Council making the plan a public document. The plan will include details of the financial and performance audit work that we have planned for the period 1 July to 30 June 2010. Once I know that the plan has been tabled, I will be placing the plan on my website and you will be informed of this.

State entities and audited subsidiaries of State entities to have accountable authority (sections 14 and 15)

Section 14 requires a State entity or an audited subsidiary of a State entity to have an accountable authority. It ensures that each entity that is subject to audit by the Auditor-General has a governing person or body and goes on to specify who these bodies or persons are.

Section 15 provides that where the Treasurer considers that there is, or may be, some doubt as to the accountable authority for a particular State entity, the Treasurer may, by notice published in the Gazette, appoint a person or body to be the accountable authority of that State entity.

Financial information to be reported and Reporting deadline (sections 17 and 47)

Section 17 requires the accountable authorities to submit financial statements for the State entity to the Auditor-General as soon as possible and within 45 days of the end of the financial year and that the financial statements be "complete in all material respects". This section also provides for me to determine whether the financial statements submitted are complete in all material respects. It is my intention to write to you as soon as I have received your financial statements advising whether or not they are complete in all material respects.

I determine that "complete in all material respects" means that the financial statements must:

1. Be signed by the accountable authority at the time they are submitted.
2. Comply with relevant legislative requirements governing the State entity being audited.
3. Comply with Australian Accounting Standards. In the case of government departments, compliance with the Department of Treasury and Finance's model financial statements will satisfy this requirement.

Where a State entity, for example a subsidiary of a State-owned Company, wishes to prepare a special purpose financial report, this will be acceptable subject to appropriate disclosures in the report and the lack of users of the financial report who cannot demand information normally made available in a general purpose financial report.

Regarding the timelines for submission of financial statements to my Office, I note that section 47 provides for transitional arrangements for State entities not currently required to submit statements within 45 days. These State entities will not be bound by section 17 until the financial year commencing after 30 June 2010. Therefore,

- State entities with a 30 June balance date – must submit their June 2011 financial statements in accordance with Section 17
- State entities with a December balance date, must submit their December 2011 financial statements in accordance with Section 17.

Auditor-General to be auditor of financial statements of all State entities (section 18)

This section provides that the Auditor-General is to audit the financial statements submitted by a State entity or subsidiary of a state entity.

Financial audit authority for State-owned Companies - State-owned Companies (SOCs) are subject to the Australian Corporations Law and the Auditor-General is appointed as the financial auditor of SOCs through shareholders letters of expectations. The Auditor-General's authority to perform the financial audit of SOCs is contained in section 18.

Dispensing with audits - in consultation with the Treasurer, the Auditor-General may dispense with all or any part of, the audit the financial statements of a particular State entity or of State entities included in a category or class specified by the Auditor-General, if the Auditor-General considers that it is appropriate in the circumstances. Such dispensation of an audit may be in respect of a particular financial year and subject to any conditions determined by the Auditor-General.

It is my current practice to detail in a report to Parliament those State entities or categories of State entities the audits of which I have dispensed with. The decision to dispense with an audit is only made where I am satisfied that existing financial reporting arrangements are satisfactory and that the alternative auditing arrangements are appropriate. This practice will continue.

It is noted that my Office can still conduct performance audits/investigations of State entities the financial statement audits of which have been dispensed with.

Audit Completion deadlines (section 19)

Having carried out an audit of the financial statements of a State entity under section 18, section 19 requires the Auditor-General to prepare and sign an opinion based on that audit and provide it to the State entity's responsible Minister with a copy to the relevant accountable authority. If the Australian Auditing and Assurance Standards also require the preparation of a formal communication of audit findings (such as a Management Letter), a copy of that communication is to accompany the opinion.

Section 19 also requires the Auditor-General to finalise the audit opinion for a State entity or an audited subsidiary of a State entity within 45 days of receiving the financial statements from the accountable authority.

There are two new requirements here:

- Firstly, I will now be forwarding my signed audit opinion to the responsible Minister as well as, which I do currently, to the accountable authority and I will also forward to this Minister my management letter and memorandum of findings. Where there is an interim management letter or memorandum of findings, this will also be forwarded to the Minister as well as to the accountable authority.

- Secondly, the timeframes for me to complete my audits of financial statements has been brought forward such that, from 30 June 2011, every financial statement audit of every State entity must be completed by 30 September. For 30 June 2009, this will only impact those State entities that are currently required to submit financial statements to my Office within 45 days of balance date (mainly government departments, Government Business Enterprises and some Statutory Authorities). As a result, priority will be given to these State entities this year with details of the timing of all State entities being made explicit in audit strategies developed this year.

Audit of State-owned Companies (section 20)

This section confirms existing arrangements whereby my Office can conduct performance audits and/or investigations at SOCs.

Audit of Subsidiaries of State entities (section 21) and of the Accounts of related entities (section 22)

Section 21 requires an accountable authority responsible for the operations of a State entity to advise the Auditor-General in writing of all the subsidiaries of the State entity, before the end of each financial year. It also requires the Auditor-General to be the auditor of a subsidiary of a State entity, unless the Auditor-General determines otherwise.

This is a new requirement and State entities will need to establish systems under which my Office is informed annually about existing subsidiaries and of new subsidiaries when established/incorporated. To assist, we will enquire into the existence of subsidiaries during our audit planning and include an explicit reference to this in management representations. As soon as I am notified of the details of subsidiary entities, I will notify you as to whether or not I plan to conduct the audit.

In addition, we will annually write to all accountable authorities seeking advice regarding the establishment of new subsidiaries.

Section 21 authorises my Office to conduct performance audits/investigations at all subsidiary entities.

Similarly, section 22 requires accountable authorities to notify the Auditor-General in writing if its State entity performs any of its functions in one or more of the following ways:

- a. in a partnership or jointly with another person or body;
- b. through the instrumentality of another person or body; or
- c. by means of a trust.

We will write to all accountable authorities seeking advice regarding the performance of their State entity's functions in any of the manners outlined in section 22.

Regarding both sections 21 and 22; your attention is drawn to the definitions of Subsidiaries and related entities in section 3 of the Audit Act.

Power to conduct performance audits and investigations (sections 23 and 24)

The ability of my Office to conduct performance audits, compliance audits and investigations has been retained. I highlight section 23(c) which provides that the Auditor-General may carry out an examination or investigation into any matter relating to

public money, other money or to public property or other property. This includes the ability of my Office to, what I refer to as, "follow the dollar", i.e., my Office is able to investigate State entities or private sector entities relating to the expenditure of public money, other money or to the management of public property or other property.

Note also that under section 23(f) my Office may carry out an examination or investigation examining the efficiency, effectiveness and economy within which a related entity of a State entity performs functions on behalf of the State entity in partnership, or jointly with the State entity; or as a delegate or agent of the State entity.

Section 24 is also new providing for the Auditor-General at his/her discretion, to carry out any audit that the Treasurer requests the Auditor-General to carry out. It also provides that where a grant or advance of money is made by the Government to a person for a specific purpose, the Treasurer may request the Auditor-General to audit accounts of that person to ascertain whether the money granted or advanced has been expended in accordance with the purposes of the grant or advance.

Audit fees (sections 27, 29 and 52)

These sections change the fee setting arrangements for financial statement audit work conducted by my Office. In the past financial statement audit fees, and any variations thereto, were subject to approval by the Treasurer and this practice will continue for all fees and fee variations for 30 June 2008 and 31 December 2008 balance dates.

Section 27 requires me to determine whether or not a fee is to be charged and if so the amount. Accountable authorities must pay the fee determined. However, this section also provides that if a fee is disputed by the accountable authority liable to pay the fee, the accountable authority may refer the dispute to the Government Prices Oversight Commission who will determine the amount of the fee to be paid. It is my understanding that accountable authorities seeking to refer a dispute in this way may have to pay any fees levied by the Commission.

Section 29 requires me to include in a report to Parliament the basis on which audit fees are charged by my Office.

Confidentiality (section 46)

This section applies to a person who is, or who has been: the Auditor-General, a person employed in the Tasmanian Audit Office, a person appointed to assist the Auditor-General in a particular matter, an authorised person, the independent auditor of the Tasmanian Audit Office or an auditor engaged to conduct a review of efficiency and effectiveness of the Tasmanian Audit Office.

It requires that these persons are to maintain confidentiality with respect to all matters that come to their knowledge during the course of their employment or duties under the Audit Act or any other written law and that those persons must not communicate any of these matters to anyone except when required under the administration of the Audit Act or another written law or required under any proceedings of the Audit Act, other written Law or the Criminal Code.

However, this does not apply to the communication of information to the Public Accounts Committee, the House of Assembly or Legislative Council, or any other body established by the House of Assembly or Legislative Council to investigate the activities of one or more State entities or subsidiaries of State entities.

This section also provides that a person who receives a summary of audit findings on an audit of a State entity must maintain confidentiality regarding all matters within the summary and must not: communicate any of the information within the summary to anyone; copy or reproduce any of the information within the summary unless it is in connection with making submissions or comments to the Auditor-General or in connection with obtaining legal advice on those matters.

Should you have any questions regarding this information please do not hesitate to contact myself, Ric De Santi, Geoff Driscoll or David Strong all on 62260100.

Yours sincerely



H M Blake
AUDITOR-GENERAL

SPECIAL REPORT NUMBER 78

Management of Threatened Species – March 2009

The management and protection of native species is a topical issue underlined by the widespread concern about the Tasmanian devil facial tumour disease (DFTD) and continuing strategies to eliminate foxes in Tasmania.

Tasmania has 674 species listed as threatened which, are categorised as follows:

- Endangered — in danger of extinction because long-term survival is unlikely while the factors causing them to be endangered continue operating.
- Vulnerable — likely to become endangered while the factors causing them to become vulnerable continue operating.
- Rare — a small population in Tasmania that is at risk. The large number and diversity of threatened species pose a significant challenge for conservation agencies.

The objectives of this audit were to:

- determine the effectiveness of measures to identify, report on and protect threatened species
- review management of functions and areas related to the identification and protection of threatened species.

The Report includes 19 recommendations primarily aimed at introducing a structured and prioritised approach to managing Tasmania's threatened species with a focus on assessing implementation plans and monitoring progress.

The full report can be found at:

<http://www.audit.tas.gov.au/publications/reports/specialreport/>

Tasmanian Audit Office Accounting Standards Update

The Tasmanian Audit Office will be conducting our annual seminars in Hobart and Launceston as follows:

Launceston - 22 April 2009, Country Club, Country Club Ave Prospect, Launceston, from 9:30am (9.45am start) to 1.30pm.

Hobart – 23 April 2009, The Old Woolstore, Hobart, from 8.45am (9.00am start) to 1.00pm.

In response to feedback received last year we will be holding a general session followed by two concurrent sessions aimed specifically at for-profit and not-for-profit entities.

We would encourage all of our clients to attend as this is an opportunity for you to be informed on the latest developments which will be of assistance during this coming reporting period.

FORMAL INVITATIONS WILL BE ISSUED IN THE COMING WEEKS.

TOPICS INCLUDE:

- The New Audit Act
 - Early Sign-Off
 - Fraud
 - Global Financial Crisis
 - Water Reform
 - Carbon Pollution Reduction Scheme
 - Working Paper Awards
-

Nil Cost
Morning tea will be provided.

ACCOUNTING UPDATE

AASB Exposure Drafts and Invitations to Comment

Proposed Interpretation on the Australian Superannuation Contributions Tax for Defined Benefit Plans

This Proposed Interpretation requires an employer sponsor to include the impact of Australian superannuation contributions tax payable by the plan when measuring a defined benefit obligation. This clarifies that the impact of superannuation contributions tax should be included in the cash flows of the defined benefit obligation and not in the return on plan assets.

The Proposed Interpretation is available on the AASB website (www.aasb.com.au) and comments are due to the AASB by 31 March 2009.

Source: AASB website and Accounting & Assurance News Today Issue 07 (20 February 2009).

ED 175 Post-implementation Revisions to AASB Interpretations

This is the Australian equivalent of an IASB exposure draft issued in January 2009 proposing that entities applying IFRS 3 'Business Combinations' should also apply the proposed IFRIC 9 'Reassessment of Embedded Derivatives' amendments. It also proposes that the amendments of IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' be made applicable to annual reporting periods beginning on or after 1 October 2008. Under Australian law, there is an impediment to making a legislative instrument that applies to a date prior to the instrument being made. Whilst this would not affect the AASB interpretations themselves, it would affect AASB 1048 'Interpretation and Application of Standards', which gives AASB interpretations legislative authority.

The exposure draft is available on the AASB website (www.aasb.com.au).

Source: AASB website and Accounting & Assurance News Today Issue 06 (13 February 2009).

ED 176 Proposed Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities

This Exposure Draft proposes to amend AASB 123 'Borrowing Costs' by reintroducing the option to expense borrowing costs for not-for-profit public sector entities. Subject to the requirements in AASB 1049 'Whole of Government and General Government Sector Financial Reporting', this will allow an entity to choose whether it expenses or capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

The exposure draft is available on the AASB website (www.aasb.com.au) and comments are due to the AASB by 3 April 2009.

Source: AASB Website.

AASB Meeting

AASB Meeting Highlights – 5 February 2009

At its meeting, the AASB discussed the following items:

- **Superannuation Plans and Approved Deposit Funds** - The Board considered a revised version of a draft ED 'Superannuation Plans and Approved Deposit Funds' and decided to make further amendments. The draft ED will be reconsidered at the April 2009 meeting with a view to approve it for public comment.
- **Income from Non-Exchange Transactions** - The Board decided that the ED based on IPSAS 23 *Revenue from Non-Exchange Transactions* should be issued to Australian constituents, as a replacement for AASB 1004 *Contributions*. Constituents will be asked whether more guidance and/or illustrative examples are required. The draft ED will be considered at the March board meeting for approval.

- **Borrowing Costs** - The Board approved ED 176 'Amendments to Australian Accounting Standards – Borrowing Costs of Not-for-Profit Public Sector Entities'. This amendment will allow not-for-profit public sector entities to continue to choose whether to expense or capitalise borrowing costs relating to qualifying assets.
- **Interpretations** - The AASB approved the following for issue:
 - ED 175 'Post-Implementation Amendments to AASB Interpretations', which includes IASB ED 2009/1. Comments are sought by 25 February 2009 and will be considered when preparing the submission to the IASB.
 - Proposed Interpretation 'Australian Superannuation Contributions Tax for Defined Benefit Plans' with comments sought by 31 March 2009.
 - **Consolidated Financial Statements** - The Board received a presentation on ED 171 'Consolidated Financial Statements' that includes IASB's ED 10. ED 171 proposes a single standard on consolidation. Submissions were due by 22 February 2009 and will be considered when preparing the submission to the IASB.
- **Emissions Trading Schemes** - The Board noted that the White paper on carbon Pollution Reduction Scheme: Australia's Low Pollution Future issued on 15 December 2008 indicated that the IASB should determine accounting requirements for emission related assets and liabilities. They are expected to issue an exposure draft of the proposed requirements in 2009, and the AASB will re-issue the draft for comment in Australia.

Source: AASB Action Alert No 122 (5 February 2009) and Accounting & Assurance News Today Issue 05 (6 February 2009).

AUDITING UPDATE

Auditing and Assurance Standards Board (AUASB)

AUASB Meeting Highlights – 23 and 24 February 2009.

At its meeting, the AUASB discussed the following items:

- **Going Concern Issues in the Current Economic Environment** - The Board considered and agreed on the need for further guidance to auditors on going concern issues in periods of economic uncertainty.

Whilst it was agreed that the Auditing Standards adequately address going concern issues, the Board considered that further guidance in the current economic environment, will assist in raising auditors' awareness of their responsibilities in assessing an entity's ability to continue as a going concern.

This guidance will be in the form of a Bulletin to be released in March 2009. The AUASB is also working with the Australian Institute of Company Directors to develop a publication focusing on the responsibilities of directors, in relation to going concern issues.

- **ASA Redrafting (Clarity Format)** - The Board noted a progress report on the 'Clarity' project and noted that the project is still on track for completion, as planned, for October 2009.
- **Approval of redrafted Auditing Standards** - The Board considered final draft versions in 'Clarity' format of the following proposed Auditing Standards:
 - ASA 260 'Communication with Those Charged with Governance'
 - ASA 570 'Going Concern'
 - ASA 200 'Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standard's'
 - ASA 250 'Consideration of Laws and Regulations in an Audit of a Financial Report'
 - ASA 320 'Materiality in Planning and Performing an Audit'
 - ASA 450 'Evaluation of Misstatements Identified During the Audit'
 - ASA 510 'Initial Audit Engagements – Opening Balances'
 - ASA 550 'Related Parties'
 - ASA 580 'Written Representations'
 - ASA 720 'The Auditor's Responsibility in Relation to Other Information in Documents Containing an Audited Financial Report'.

The Board cleared these Standards for final approval later this year.

- **Approval of release of Group 5 Exposure Drafts** - The Board considered draft versions, in 'Clarity' format, of the following exposure drafts (EDs) of proposed revised Auditing Standards:
 - ED 01/09 ASA 500 'Audit Evidence'
 - ED 02/09 ASA 501 'Audit Evidence – Specific Considerations for Selected Items'
 - ED 03/09 ASA 700 'Forming an Opinion and reporting on a Financial Report'
 - ED 04/09 ASA 705 'Modifications to the Opinion in the Independent Auditor's Report'
 - ED 05/09 ASA 706 'Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report'
 - ED 06/09 ASA 800 'Special Considerations – Audits of a Financial Report Prepared in Accordance with Special Purpose Frameworks'
 - ED 07/09 ASA 805 'Special Considerations – Audits of a Single Financial Statement and Specific Elements, Accounts or Items of a Financial Statement'
 - ED 08/09 ASA 810 'Engagements to Report on Summary Financial Statements'.

The Board approved the issue of the above EDs, which will be released with a one month comment period ending 6 April 2009.

- **Engagements to perform Agreed-upon Procedures** - The Board considered and approved a project plan to revise AUS 904 'Engagements to Perform Agreed-upon Procedures'. The proposed standard will be reissued as ASRS 4400 'Agreed-upon Procedures'.

- **National Greenhouse and Energy Reporting (NGER) Act 2007 and Carbon Pollution Reduction Scheme (CPRS)** - The Department of Climate Change is drafting amendments to the NGER Act, and an additional legislative instrument concerning the conduct of audits, reporting and regulations for the registration of auditors under the NGER Act. The AUASB is being consulted on the development of these documents, which are due for public exposure over the next few months.
- **Authorised Deposit Taking Institutions** - A Project Advisory Group (PAG), including practitioners from large and mid-sized audit firms, was formed to provide industry and specific technical advice to the AUASB on issues relating to this project. The AUASB and PAG met during February to discuss working drafts of the proposed new Guidance Statement. The AUASB will consult further with the PAG and APRA in the coming months. A first draft of the proposed new Guidance Statement will be tabled at the 6-7 April AUASB meeting for Board consideration and comment.
- **Responding to Questions at AGMs** - The Board considered a proposed revision of AGS 1046 'Responding to Questions at an Annual General Meeting'. A final version of the proposed Guidance Statement will be released early next month.
- **Access to Audit Working Papers** - The Board considered a proposed revision of AGS 1038 'Access to Audit Working Papers'. A final version of the proposed Guidance Statement will be subject to further review and subsequent out-of-session approval.
- **IAASB Task Force on Prospective Information** - Mr D Simmonds (correspondent member on the IAASB taskforce) provided an update on the work of the taskforce. Key items in an issues paper to be considered at the March IAASB meeting include the definition of what is prospective information and that assurance is on the compilation of the report and not on the underlying data.

Source: AUASB website (www.auasb.gov.au), Meeting Highlights (23 and 24 February 2009).

ETHICS UPDATE

Accounting Professional and Ethical Standards Board (APESB)

APESB Meeting Highlights – 9 February 2009

At its meeting, the APESB discussed the following items:

- The APESB's 2009-2010 Technical Work Program is now available on the APESB website (www.apesb.org.au).
- Six-month reviews for APES 205 'Conformity with Accounting Standards', APES 220 'Taxation Services' and APES 305 'Terms of Engagement' were considered. The Board resolved to make a minor amendment to the wording of APES 305.
- It is anticipated that a revised 'Code of Ethics for Professional Accountants' (the Code) incorporating proposed changes to section 290 (independence) and revisions to improve the drafting conventions of the Code will be issued by the International Ethics Standards Board for Accountants in April 2009 with the APESB to initiate a project to implement these changes shortly thereafter.

- The Board considered ED 01/09 APES 320 'Quality Control for Firms' and agreed that subject to further minor re-drafting, the proposed revised standard be issued as an exposure draft in late February 2009 for a period of 45 days.
- The Board considered ED 0X/09 'Client Monies' and agreed that further consideration of the impact of upcoming Anti-Money Laundering (AML) legislation as well as the scope and application of the proposed standard is required. A revised exposure draft will be presented to the May 2009 meeting of the APESB with a view to issuing an exposure draft shortly thereafter.
- The Board considered a progress report on the development of a proposed standard governing members' participation in due diligence committees, and considered the need for a report template for an accountant's report in this context. The Board will consider a draft exposure draft of the proposed standard at the May 2009 meeting.

Source: Accounting and Assurance News Today Issue 07 (20 February 2009).

ASIC UPDATE

AD09-26 ASIC seeks comment on proposals to facilitate equity capital raising and participation by retail investors

As part of its efforts to manage the impact of current market conditions and build confidence in Australia's financial markets, ASIC has issued a consultation paper which considers measures to facilitate capital raising, building on existing exemptions in the law.

The consultation paper is available on the ASIC website (www.asic.gov.au) and comments are due to ASIC by the 30 March 2009.

Source: ASIC Website, Media Release (24 February 2009).

LEGISLATIVE UPDATE

National Greenhouse and Energy Reporting Act 2007

On 24 February, a draft amendment bill to the National Greenhouse and Energy Reporting Act 2007 (NGER Act) was released for public comment.

The amendment bill is intended to strengthen the external audit framework established by the NGER Act by requiring auditors to register with the Greenhouse and Energy Data Officer (GEDO). It also includes a number of other amendments clarifying the application of the audit requirements and removing the obligation on the GEDO to publish energy production data as outlined in the consultation paper released early in 2009.

The amendments include:

- removal of the term 'external auditor', as this was deemed by stakeholders to be confusing, and replacing it with the term 'registered greenhouse and energy auditor'
- introduction of a new offence to cover situations where confidential audit information is released by the audit team other than under the NGER Act or other Commonwealth laws.

The draft amendment bill is available on the Department of Climate Change website (www.climatechange.gov.au).

Source: Accounting and Assurance News Today Issue 08 (27 February 2009).

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

IASB Meeting Highlights - 19-23 January 2009

At its meeting, the IASB discussed the following items:

- Global financial crisis
- Annual improvements
- Conceptual framework
- Financial instruments with characteristics of equity
- IFRIC
- IFRS for non-publicly accountable entities (NPAE's)
- Income tax
- Leases
- Post-employment benefits
- Technical plan.

For further information see the IASB website (www.iasb.org).

Source: IASB website (January 2009 IASB Update).

IASB Meeting Highlights - 17-20 February 2009

At its meeting, the IASB discussed the following items:

- Global financial crisis
- IFRS for non-publicly accountable entities
- Interim financial reporting
- Insurance contracts

- Post-employment benefits
- Rate-regulated activities
- Annual improvements.

For further information see the IASB website (www.iasb.org).

Source: IASB Website (February 2009 IASB Update).

International Federation of Accountants Committee (IFAC)

Exposure Draft 'Framework for International Education Standards'

The International Accounting Education Standards Board (IAESB), an international standard setting body within IFAC issued this exposure draft in January 2009. The new initiative aims to enhance the relevance, clarity and consistency of its standards, as well as their applicability to IFAC members and associates.

The proposed framework comprises two parts:

- Part One - deals with the educational concepts of competence, initial professional development, continuing professional development and measurement of the effectiveness of learning and development.
- Part Two - describes the nature of the IAESB's International Education Standards, as well as the related IAESB pronouncements and IFAC member-body obligations.

The exposure draft is available at the IFAC website (www.ifac.org) and comments are due to the IASB by 30 April 2009.

Source: Accounting and Assurance News Today Issue 04 (30 January 2009).

New IFAC guidance on corporate governance addresses risks and organisational accountability

The Professional Accountants in Business (PAIB) Committee of the International Federation of Accountants (IFAC) has released a new International Good Practice Guidance document 'Evaluating and Improving Governance in Organisations'.

The guidance is for professional accountants in business and provides a framework, a series of fundamental principles, supporting guidance and references on how they can contribute to the evaluation and improvement of governance in organisations. The document complements existing governance codes by encouraging a balance between conformance with rules and regulations, and driving organisational performance.

For further details refer to the IFAC website (www.ifac.org).

Source: Accounting and Assurance News Today Issue 06 (13 February 2009).

New IFAC Sustainability Framework

The PAIB has developed a comprehensive 'Sustainability Framework', which supports professional accountants and their organisations in integrating a sustainable way of thinking and working in all business processes. It illustrates how a commitment to sustainability can lead to improved products/services of an organisation, heightened motivation, cost minimisation and an enhanced reputation.

The framework incorporates four different perspectives (business strategy, internal management, financial investors and other stakeholders), thereby challenging conventional knowledge in economic, social and environmental endeavours.

It is a web-based tool that allows users to explore the sustainability issues that are most relevant to their particular roles, and to select those examples of good sustainability practice that can be implemented in their organisations.

For further information refer to the IFAC website (www.ifac.org).

Source: Accounting and Assurance News Today Issue 06 (13 February 2009).

International Valuation Standards Council (IVSC)

Proposed global guidance for valuing intangibles

The International Valuation Standards Council (IVSC) has released two exposure drafts on the valuation of intangible assets:

- Revised Guidance Note No. 4 'Valuation of Intangible Assets' identifies and defines the principal approaches and methods used in intangible asset valuation, with the aim of reducing the diversity of terminology and making valuation reports more widely accessible to users globally.
- Guidance Note No. 16 'Valuation of Intangible Assets for IFRS Reporting Purposes' draws the attention of valuers and those commissioning valuations for use in financial statements, to the principal accounting requirements of the International Financial Reporting Standards (IFRS) under which the valuations are prepared and provides guidance on the appropriate valuation response.

This guidance note is available on the IVSC website (www.ivsc.org) and comments are due to the IVSC by the 30 April 2009.

Source: Accounting and Assurance News Today Issue 04 (30 January 2009).

Preliminary view on valuing investment property under construction

The IVSC plans to issue guidance for the measurement of the value of investment property under construction. This follows a change made by the IASB which brought investment property under construction into the scope of IAS 40 'Investment Property' with effect from 1st January 2009.

In January, the IVSC issued an Interim Position Statement to summarise major valuation issues and provide its preliminary view of the valuation principles. They will issue a draft Guidance Note for public consultation during the second quarter of 2009.

This Interim Position Paper is available on the IVSC website (www.ivsc.org).

Source: Accounting and Assurance News Today Issue 04 (30 January 2009).

MISCELLANEOUS PUBLICATIONS

Committee of Sponsoring Organisations of the Treadway Commission (COSO)

COSO released 'Guidance on Monitoring Internal Control Systems' on 4 February 2009. It is addressed at organisations wanting to better monitor the effectiveness of internal control systems and take timely correction actions where necessary.

Unmonitored controls tend to deteriorate over time. Monitoring, as defined in the COSO Framework, is implemented to help ensure internal control continue to operate effectively. When monitoring is designed and implemented appropriately, organisations benefit because they are more likely to:

- identify and correct internal control problems on a timely basis
- produce more accurate and reliable information for use in decision-making
- prepare accurate and timely financial statements
- be in a position to provide periodic certifications or assertions on the effectiveness of internal control.

Organisations may select from a wide variety of monitoring procedures, including but not limited to:

- periodic evaluation and testing of controls by internal audit
- continuous monitoring programs built into information systems
- analysis of, and appropriate follow-up on, operating reports or metrics that might identify anomalies indicative of a control failure
- supervisory reviews of controls, such as reconciliation reviews as a normal part of processing
- self-assessments by boards and management of tone they set and the effectiveness of their oversight functions
- audit committee inquiries of internal and external auditors
- quality assurance reviews of the internal audit department.

For further information refer to the COSO website (www.coso.org).

Source: Accounting and Assurance News Today Issue 07 (20 February 2009).

G30 Issues Report on Next Steps for Financial Reform

The Group of Thirty (G30) has released a report titled 'Financial Reform: A Framework for Financial Stability'. The report addresses flaws in the global financial system and provides specific recommendations to:

- redefine the scope, boundaries and structure of prudential regulation, thereby improving supervisory systems
- enhance the role of central banks
- improve governance practices and risk management
- address pro-cyclicality via capital and liquidity standards
- enhance accounting practices
- strengthen the financial infrastructure
- increase co-ordination internationally.

For the complete list of all eighteen recommendations, the full report is available on the G30 website (www.group30.org).

Source: Accounting and Assurance News Today Issue 04 (30 January 2009).

GAA Complexity Report on Financial Reporting

The Global Accounting Alliance (GAA) recently completed their project on the principles and complexities in financial reporting. Its objective was to ascertain views from a broad cross-section of stakeholders in the international arena on the barriers to the practical application of a more principles-based accounting regime, as well as how the current complexity and detail in listed company financial statements could be reduced so as to focus on better communication with financial statement users.

They published the report, 'Getting to the Heart of the Issue – Can Financial Reporting be made simpler and more useful?' in December 2008.

For more information, see the report on the GAA website (www.globalaccountingalliance.com).

Source: Accounting and Assurance News Today Issue 04 (30 January 2009).

ICAA Auditing Standards Checklist – updated as at 31 December 2008

The Institute of Chartered Accountants in Australia has updated its Auditing Standards Checklist, 'Mandatory Requirements as at 31 December 2008 in Respect of Audits of Historical Information'. It sets out the mandatory paragraphs of the Auditing Standards, which are the minimum requirements for conducting an audit.

You can download this document from the Institute website (www.charteredaccountants.com.au).

Source: Accounting and Assurance News Today Issue 04 (30 January 2009).

Update of Carbon Pollution Reduction Scheme (CPRS)

The Department of Climate Change has released a guidance paper for the formal assessment of activities for the purposes of the emissions-intensive trade-exposed (EITE) assistance program under CPRS. The paper also includes an assurance framework for the data provided in relation to the assessment. This is the next step in implementing the decisions made in the White Paper.

The assessment process, along with the policy framework outlined in the White Paper, will allow the Government to make final decisions as to which activities in the economy are eligible for EITE assistance. Chapter 5 of the guidance paper provides details of the assurance framework for both the entities concerned and the assurance providers. Lead auditors must be Registered Company Auditors for the duration of the EITE engagement and engagements should be conducted in accordance with ASAE 3000 'Assurance Engagements Other than Audits or Review of Historical Financial Information'.

As part of the formal assessment process, entities are required to:

- collate required emissions, trade and financial data consistent with activity definition
- have data assured by an assurance provider that meets the requirements as outlined in the guidance paper
- submit assured data to the Government by 1 May 2009 (please take particular note of the due date as it constitutes a tight deadline).

This guidance paper is available on the Department of Climate Change website (www.climatechange.gov.au).

Source: Accounting and Assurance News Today Issue 07 (20 February 2009).

Australian Institute of Company Directors (AICD)

AICD has issued a new set of guidelines to assist boards of publicly listed companies when designing, negotiating and monitoring remuneration arrangements for CEOs and overseeing the basis on which other senior executives are appointed.

Source: Company Directors Website, Media Release (12 February 2009).

Australian National Audit Office Reports

- Centrelink's Complaints Handling System.
- The Approval of Small and Medium Sized Business System Projects.
- CMAX Communications Contract for the 2020 Summit.
- The Administration of Grants under the Australian Political Parties for Democracy Program.
- Administration of Job Network Outcome Payments.
- Approval of funding for Public Works.

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

Victorian Auditor-General's Office Reports

- Preparedness to Respond to Terrorism Incidents Essential Services and Critical Infrastructure (2008-09:15).
- Literacy and Numeracy Achievement (2008-09:16).

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

Northern Territory Auditor-General's Office Report

- February 2009 report to the Legislative Assembly.

This publication is available at www.nt.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
IVSC	International Valuation Standards Council
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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