

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



Happy New Year to all.

Audit Act 2008

In November 2008 a new Audit Act was passed by Parliament. We understand its likely commencement date will be 1 March 2009. We are currently finalising an implementation plan, including an information sheet for all clients which will be distributed before 1 March 2009.

ACCOUNTING UPDATE

Financial Reporting Council

Report to joint IASB/FASB Roundtable on Global Credit Crisis

The report is based on a survey of eight Australian Authorised Deposit-taking Institutions (ADIs). It identifies accounting issues emerging from the global crisis, as well as providing potential solutions to the issues, and whether each issue requires urgent action or can be considered over a more normal time frame. The key findings of the report are:

- the most pressing need for change relates to the differences between the prudential and accounting models for provisioning of loans held at amortised cost. The accounting model is based on incurred loss, while the prudential model focuses on expected loss
- the accounting rules for hedging are an area of high priority
- respondents felt that changes are needed in the measurement and reversal of impairments of available for sale securities.

Click [here](#) to download the report.

Source: FRC Bulletin 2008/05 (3 December 2008)

Australian Accounting Standards

AASB 2008-11 Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3]

This amendment confirms that the revised AASB 3 'Business Combinations', which is applicable from 1 July 2009, applies to not-for-profit entities that are not commonly controlled. However, it requires restructures of local governments to be accounted for in a manner consistent with the superseded AAS 27 'Financial Reporting by Local Governments'. The requirements relating to restructures of local governments will be reviewed at a later date.

Source: AASB Action Alert (14 November 2008)

AASB releases ten compiled Accounting Standards

The AASB has produced ten compiled Accounting Standards to complete the set of standards applicable to the 2008-09 financial year. The new compilations are:

- AASB 3 'Business Combinations'
- AASB 5 'Non-current Assets Held for Sale and Discontinued Operations'
- AASB 7 'Financial Instruments: Disclosures'
- AASB 101 'Presentation of Financial Statements'
- AASB 114 'Segment Reporting'
- AASB 116 'Property, Plant and Equipment'
- AASB 124 'Related Party Disclosures'
- AASB 127 'Consolidated and Separate Financial Statements'

- AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'
- AASB 139 'Financial Instruments: Recognition and Measurement'.

AASB 3, AASB 5, AASB 101, AASB 114, AASB 116, AASB 127 and AASB 137 are applicable for reporting periods beginning on or after 1 July 2008.

AASB 124 is applicable for reporting periods beginning on or after 30 June 2007 that end on or after 30 June 2008.

AASB 7 and AASB 139 are applicable for reporting periods ending on or after 1 July 2008.

Source: AASB News (21 November 2008)

AASB Meeting

AASB Meeting Highlights – 14 November 2008

At its meeting the AASB discussed the following items.

- **Board Membership** - Bruce Porter has been appointed as Acting Chairman on a part-time basis pending the appointment of a full-time Chairman.
- **FRC Public Sector Workshop** – the Board received a report from Robert William and AASB staff who attended the Financial Reporting Council's Public Sector Workshop on 5 November.
- **Asset Backing Insurance Liabilities** - The Board agreed to develop an ED proposing to amend Australian specific application paragraphs of AASB 139 'Financial Instruments: Recognition and Measurement' to not permit the amendments relating to reclassification of financial assets in AASB 2008-10 'Amendments to Australian Accounting Standards – Reclassification of Financial Assets', being used by entities applying AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts' in respect of assets backing insurance liabilities and investment contract liabilities. The Board will consider a draft ED at its next meeting.
- **Interpretations, Superannuation Contributions Tax** – the Board discussed draft Proposed Interpretation 10XX 'Australian Superannuation Contributions Tax'. The Board considered issues relating to defined benefit superannuation plans and expects to consider a revised draft Proposed Interpretation at its next meeting.
- **Superannuation Plans and Approved Deposit Funds** – the Board considered a revised version of the draft ED. A number of amendments were proposed. The Board will consider a revised version of the draft ED at its next meeting.
 - **Income from Non-Exchange Transactions** - the Board is carrying out a short-term project with the NZ FRSB to develop a common Standard based on IPSAS 23 'Revenue from Non-Exchange Transactions (Taxes and Transfers)'. The Board discussed drafting issues concerning an ED. The Board will consider these issues further at its next meeting
 - **Differential Reporting** – the Board redeliberated the proposal in ITC 12 'Request for Comment on a Proposed Revised Differential Reporting Regime for Australia and IASB Exposure Draft of a Proposed IFRS for Small and Medium-Sized Entities'. The Board agreed that the existence of dependent users is the key to determining the general purpose nature of financial statements and not the mere preparation in accordance with Accounting Standards.

- **Related Party Disclosures by Not-for-Profit Public Sector Entities** – the Board decided to develop an issues paper containing preliminary suggestions for related party disclosure requirements for Australian Not-for-Profit Public Sector. The Board expects to consider the issues paper at its February 2009 meeting.
- **Borrowing Costs (IPSASB)** – The Board were briefed on the IPSASB's ED 35 'IPSAS 5 Borrowing Costs'. The Board agreed that it would prefer the IPSASB to better justify its proposed departures from IAS 23 'Borrowing Costs'. The Board will consider a draft submission to the IPSASB at its next meeting.
- **ED 165 'Improvements to Australian Accounting Standards'** – the Board considered submissions on the ED which incorporates the IASB 'ED Improvements to IFRSs', and agreed to finalise its submission to the IASB.
- **Presentation of Financial Statements** – The Board decided to request constituents' on the IASB/FASB Discussion Paper 'Preliminary Views on Financial Statement Presentation' by 24 March 2009, and agreed to hold roundtables in Canberra, Sydney and Melbourne in early March.
- **Conceptual Framework (IPSASB)** – the Board discussed an IPSASB Conceptual Framework Consultation Paper on the objectives and scope of financial reporting, the qualitative characteristics of financial information and the concept of a reporting entity, and gave directions to the staff for preparing a draft submission to the IPSASB. The IASB is currently working with FASB to develop a Conceptual Framework, but will not be considering the application to not-for-profit entities at this time. The AASB's current intention is that, if the IASB makes substantial changes to the Framework, Australian not-for-profit entities would continue to apply the existing Framework as an interim measure. The AASB will continue to monitor, and contribute to, the development of the revised Frameworks of the IASB and IPSASB.
- **Withdrawal of Policy Statements** – the Board has agreed to immediately withdraw:
 - PS 1 'The Development of Statements of Accounting Concepts and Accounting Standards'
 - PS 2 'The AASB Consultative Group'
 - PS 3 'AASB Project Advisory Panels'
 - PS 4 'International Convergence and Harmonisation Policy'.

The Board has agreed to develop a separate document setting out its key policies and strategies.

Source: AASB Action Alert No 120 (14 November 2008)

AUDITING UPDATE

Auditing and Assurance Standards Board (AUASB)

AUASB releases eight Exposure Drafts of ASAs in Clarity Format

The exposure drafts are:

- ASA 200 'Overall Objective of the Independent Auditor and the Conduct of an Audit in accordance with Australian Auditing Standards'
- 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'.

These exposure drafts were released on 10 November and are due for comment by 15 December 2008.

Source: AUASB ASA redrafting news (10 November 2008)

ETHICS UPDATE

Accounting Professional and Ethical Standards Board (APESB)

APES 345 "Reporting on Prospective Financial Information prepared in connection with a Disclosure Document"

APES 345 outlines the principles and mandatory requirements for members in public practice to abide by when they undertake engagements for clients to prepare a report on or in connection with prospective financial information included in a disclosure document.

The new standard is effective for engagements commencing on or after 1 July 2009, with early adoption permitted.

Source: APESB What's New and APESB Media Release (18 November 2008)

APES 215 Forensic Accounting Services

APES 215 will replace APS 11 'Statement of Forensic Accounting Standards' and GN 2 'Forensic Accounting'.

This revised professional standard applied to forensic accountants giving or preparing evidence in legal proceedings. Requirements for the role of expert witnesses will be mandatory and, for the first time, the standard will apply to accountants working in the corporate sector and in government, as well as those in accountancy firms, who are members of the three professional accounting bodies. The new standard is effective from 1 July 2009, with early adoption permitted.

Source: APESB What's New and APESB Media Release (2 December 2008)

APESB Meeting

Meeting Highlights 10-11 November 2008

- Annual reviews of APES '110 Code of Ethics for Professional Standards, APES 210 'Conformity with Auditing and Assurance Standards' and APES 320 'Quality Control for Firms' are available.
- APS 9 'Statement of Compilation of Financial Reports' was withdrawn.
- Submissions to the International Ethics Standards Board for Accountants (IESBA) – *proposed section 290 of the Code of Ethics for Professional Accountants* and the proposed amendments designed to improve the clarity of the *Code of Ethics for Professional Accountants*.
- The existing structure of APES 320 'Quality Control for Firms' will be retained and a revised exposure draft will be presented to the February 2009 meeting.

INTERNATIONAL UPDATE

International Accounting Standards Board (IASB)

IFRIC 17 Distributions of Non-cash Assets to Owners

The interpretation clarifies that:

- a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity
- an entity should measure the dividend payable at the fair value of the net assets to be distributed
- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions.

The interpretation is effective for annual periods beginning on or after 1 July 2009, with early adoption allowed.

Source: IASB News (27 November 2008)

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 1 has been revised with an improved structure to allow it to accommodate more easily any future changes. The revision does not contain any technical changes.

The standard is effective for entities applying IFRS for the first time for annual periods beginning on or after 1 January 2009, with early adoption allowed.

Source: IASB News (27 November 2008)

IASB Announcements

IASB Chairman welcomes moves towards IFRS in North America

During November the authorities in the United States, Canada and Mexico took actions regarding their adoption of IFRS.

Source: IASB News (17 November 2008)

IASB, IFRIC Meetings

The table below notes the topics discussed at the Board meeting of the IASB. For further information follow the links provided.

IASB Meeting Summary
17-21 November 2008 Meeting
Topics discussed: <ul style="list-style-type: none">• Global financial crisis• Conceptual framework• Fair value measurement• Financial instruments with characteristics of equity• IFRIC Issues• IFRS for private entities• Leases• Post-employment benefits• Related party disclosures• SAC update.
For further information see the IASB Update for November 2008.

IFRIC Meeting Summary

6 November 2008 Meeting

Topics discussed:

- IFRIC D24 'Customer Contributions'
- Compliance costs for REACH
- Customer-related intangible assets
- IFRIC 14 IAS 19 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' – Voluntary prepaid contributions under a minimum funding requirement.
- Agenda for decision
- Tentative agenda decisions
- Work in progress.

For further information see the [IFRIC Update](#) for November 2008.

International Public Sector Accounting Standards Board (IPSASB)– Meeting

The table below notes the topics discussed at the IPSASB meeting. For further information [click here](#).

IPSASB Meeting Summary

28-31 October 2008 Meeting

Topics discussed:

- Conceptual Framework Group 2 – Definition and Recognition Elements
- Performance Reporting
- Process for reviewing and modifying IASB Documents
- Financial Instruments
- Responses to ED 34 'Social Benefits: Disclosure of Cash Transfers to Individuals or Households'
- Responses to Consultation Paper Social Benefits: Issues in Recognition and Measurement
- Results of the public consultation on Long Term Fiscal Sustainability
- Agriculture – IPSASB considered a preliminary draft of an ED 'Agriculture' drawn from IAS 41
- Intangible Assets – IPSASB considered a preliminary draft of an ED 'Intangible Assets'
- Responses to the Consultation Paper *Accounting and Financial Reporting for Service Concession Arrangements*
- Global Economic Issues and the effect on the Public Sector
- Definition of Government Business Enterprises.

Source: IPSASB Meeting Highlights Zurich (28-31 October 2008)

International Federation of Accountants – Reports

IFAC Examines Developments in Public Sector Performance Measurements Structures

IFAC's Professional Accountants in Business Committee has conducted a survey to obtain information about the development of financial and non-financial performance measurement and reporting structures in various public sector entities around the world.

The results demonstrate that respondents were much more satisfied with performance measurement structures in the public sector if the structures possess the following elements:

- a balanced combination of relevant financial and non-financial objectives, supported by specific measurement indicators (financial and non-financial KPIs)
- accrual accounting for the budgeting, the (legislative) appropriation and the financial reporting processes
- capability for capturing, processing and reporting useful information on both financial and non-financial developments
- independent external review of the figures to report on financial and non-financial performance
- a formal structure for measuring and assessing risk, and developing strategies to control it
- a regular review to ensure that the performance measurement structure remains effective and efficient.

Source: IFAC News Releases (6 November 2008)

LEGISLATIVE UPDATE

Amendments to the National Green House and Energy Reporting (NGER) Act 2007

Amendments to the NGER Act 2007 were enacted on 15 September 2008. The amendments enable the Greenhouse and Energy Data Office (GEDO) to publish additional information reported by corporations, and make a number of minor administrative enhancements.

The amendments include:

- the provision of an option for corporations to publish information by business unit or subsidiary according to their preference
- increased flexibility for registration
- clarification on whether the provisions apply to the registered controlling corporation or the corporate group (these provisions relate to audit, information disclosure and direct reporting by contractors).

Source: Accounting & Assurance News Today (ANT) Issue 44 (14 November 2008)

MISCELLANEOUS PUBLICATIONS

G20 Outcomes as they relate to standard setting

The [outcomes of a meeting](#) of the G20 Heads of State and leaders of the World Bank, the International Monetary Fund, the United Nations, and the Financial Stability Forum were published by the White House. The Declaration sets out both immediate actions (by 31 March 2009) and medium-term actions that should be taken to strengthen the global economy and reform the world's financial markets.

The IASB and IFRS are required to take immediate and medium term actions to strengthen transparency and accountability and reinforce international co-operation.

Source: Accounting & Assurance News Today (ANT) Issue 45 (21 November 2008)

Measuring Performance in the Public Sector

The UK National Audit Office, the Northern Ireland Audit Office, the Audit Commission for Local Authorities and the National Health Service in England, the Wales Audit Office and Audit Scotland have established the Public Audit Forum to provide a focus for developmental thinking in relation to public sector audit.

The Forum recently produced the following papers that may be useful when assessing agency operations:

- Finance performance indicators 2007-08
- Human resources performance indicators 2007-08
- ICT performance indicators 2007-08
- Procurement performance indicators 2007-08.

Further information on the Forum and copies of these publications can be found at <http://www.public-audit-forum.gov.uk/index.htm>

Australia's Low Pollution Future: The Economics of Climate Change Mitigation

The Treasurer and the Minister for Climate Change and Water released *Australia's Low Pollution Future: The Economics of Climate Change Mitigation* on the 30 October 2008.

This report presents the results of the Treasury's economic modelling of the potential economic impacts of reducing emissions over the medium and long term. It spans global, national and sectoral scales, and looks at distributional impacts, such as the implications of emission pricing for the goods and services that households consume.

The report has the following key conclusions:

- the Australian economy will continue to grow strongly as carbon emissions are reduced

- the earlier Australia acts, the cheaper the cost of action
- many of Australia's key industries will become more competitive
- growth in low and negative emissions sectors will accelerate.

Source: Accounting & Assurance News Today (ANT) Issue 43 (7 November 2008) and www.treasury.gov.au/lowpollutionfuture/

APRA proposes revised audit requirements for ADIs

The Australian Prudential Regulation Authority (APRA) released a consultation package outlining proposed revisions to its requirements for the external auditor of an authorised deposit-taking institution (ADI). APRA is proposing to amend APS 310 'Audit and Related Arrangements for Prudential Reporting' in order to account for changes in ADI group structures, developments in audit-related prudential standards applied to other APRA-regulated institutions, as well as changes in ADI prudential reporting requirements flowing from the introduction of the Basel II Capital Framework in Australia.

The package is accessible on the [APRA website](http://www.apra.gov.au). The final standard is set to be released in December 2008 and will become effective on 1 January 2009. Interested parties are invited to comment on the proposed package by 30 November 2008.

Source: Accounting & Assurance News Today (ANT) Issue 46 (28 November 2008)

Australian National Audit Office Reports

- Report No 8 – National Marine Unit
- Report No 9 – Defence Material Organisation – Major Projects Report
- Report No 10 – Administration of the Textile, Clothing and Footwear Post-2005 (SIP) Scheme
- Report No 11 – Disability Employment Services

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

Office of the Auditor-General, Western Australia Reports

- Second Public Sector Performance Report, which includes:
 - Complaints Management in Shared Service Centres
 - Funding and Purchasing Health Services from Non-Government and Not-For-Profit Organisations
 - Management of Traffic Infringements for Government Vehicles and Staff
- Responding to changes in attraction, retention and achievement in Vocational Education and Training
- Audit Results – Assurance Audits completed at 3 November 2008 – Opinions and Ministerial Notifications

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

Queensland Audit Office Reports

- Report No. 8 for 2008: Follow up of Selected Audits tabled in 2006
- Report No. 9 for 2008: Results of Audits at 31 October 2008

This report is available at www.qao.qld.gov.au.

Victorian Auditor-General's Office Reports

- Results of Audits for Entities with 30 June 2008 Balance Dates (2008-09:14)
- Management of the Multi-Purpose Taxi Program (2008-09:13)
- Local Government: Results of the 2007-08 audits (2008-09:12)
- Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2007-08 (2008-09:11)
- Enforcement of Planning Permits (2008-09:10)
- Biosecurity incidents: Planning and Risk Management for Livestock Diseases (2008-09:9)
- Managing Acute Patient Flows (2008-09:8)
- School Buildings: Planning, Maintenance and Renewal (2008-09:7)

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

South Australian Auditor-General's Office Reports

- Agency Audit Report November 2008

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

Audit Office of NSW Reports

- Managing Injured Police: NSW Police Force
- Auditor-General's Report to Parliament 2008 Volume Six

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

Independent Commission Against Corruption (ICAC) Publications

- Investigation into bribery and fraud at RailCorp – Seventh Report

This report is 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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