Opinions is published each quarter to provide our clients with information on developments in financial reporting and disclosure, together with details of recently tabled ANAO performance audits and better practice guides. This edition of Opinions provides updated information since the Winter 2013 edition and lists performance audits scheduled for release in the October to December 2013 period.

**ANAO AUDIT REPORTS RECENTLY TABLED AUDIT REPORTS**

The following section contains the objectives of ANAO audit reports tabled from July to September 2013. To view an electronic copy of the full audit report left click the symbol (▶) next to the relevant title. A complete copy of all ANAO reports can be obtained from the ANAO website at: www.anao.gov.au. For further details phone the Publications Officer on (02) 6203 7505.

**Audit Report No 1: Design and Implementation of the Liveable Cities Program**

The objective of the audit was to assess the effectiveness of the design and implementation of the Liveable Cities Program, including the assessment and approval of applications. The audit criteria reflected the requirements and better practices articulated in the Commonwealth Grant Guidelines and the ANAO’s Administration of Grants Better Practice Guide.

**Audit Report No 2: Administration of the Agreements for the Management, Operation and Funding of the Mersey Community Hospital**

The objective of the audit was to assess the effectiveness of the administration by the Department of Health and Ageing and the Commonwealth partners of the 2008 and 2011 Heads of Agreement for the management, operation and funding of the Mersey Community Hospital.

**Audit Report No 3: AIR 8000 Phase 2 — C-27J Spartan Battlefield Airlift Aircraft**

The objective of the audit was to assess the adequacy of Defence’s processes to select the capability solution recommended to the Government to satisfy the requirements of AIR 8000 Phase 2. Matters addressed included compliance with the Financial Management and Accountability Act 1997, the Financial Management and Accountability Regulations 1997, and relevant Commonwealth and Defence procurement requirements.

**INSIDE THIS EDITION**

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**Australian Accounting Standards Board (AASB) Developments**
- New, revised and amending Accounting Standards and Interpretations
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**Department of Finance Publications**
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- Accounting Guidance Notes
- FinanceBriefs
Audit Report No 4: Confidentiality in Government Contracts: Senate Order for Departmental and Agency Contracts (Calendar Year 2012 Compliance)

The audit objective was to assess the appropriateness of the use and reporting of confidentiality provisions in Australian Government contracts for the 2012 calendar year. To form a conclusion the ANAO considered whether:

- FMA Act agencies published contract listings in accordance with the requirements of the Senate Order;
- published content aligned with the information requested by the Order;
- confidentiality provisions were used appropriately in a sample of contracts reported to contain confidentiality provisions, selected from the audited agencies’ Senate Order listings; and
- the audited agencies’ guidance and procedures supported accurate and timely reporting of contract information in the Senate Order listings and on AusTender.

ANAO AUDIT REPORTS SCHEDULED TO BE TABLED OCTOBER TO DECEMBER 2013

- Capability Development Reform;
- Administration of the Taxation of Personal Services Income;
- Australian Government Reconstruction Inspectorate’s Conduct of Value for Money Reviews of Flood Reconstruction Projects in Queensland;
- Agency Management of Arrangements to meet Australia’s International Obligations under Selected Treaties;
- Determination and Collection of Financial Industry Levies;
- Defence’s Explosive Ordnance and Weapons Security Incident Reporting;
- Indigenous Land Corporation’s Management of Land Acquisition Program;
- Air Warfare Destroyer Build Project – SEA 4000 Phase 3;
- Defence Assistance to the Civil Community;
- Management of the Central Movement Alert List: Follow up audit;
- Torres Strait Regional Authority—Delivery of Services for Torres Strait Islanders and Aboriginal People; and
- Delivery of the Filling the Research Gap under the Carbon Farming Futures Program.

ANAO BETTER PRACTICE GUIDES

Recently published Guides

There were no Better Practice Guides issued in the period July to September 2013.

Guides scheduled to be published October to December 2013

There are no Better Practice Guides scheduled to be published in the period October to December 2013.
AUSTRALIAN ACCOUNTING STANDARDS BOARD DEVELOPMENTS
NEW, REVISED AND AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS

Copies of the Australian Accounting Standards and Interpretations are available on the AASB website at www.aasb.gov.au or by clicking on the links below. Early adoption of standards and interpretations by Australian Government agencies and authorities requires the approval of the Chief Executive of the Department of Finance.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting

This standard makes amendments to AASB 139 Financial Instruments: Recognition and Measurement to permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.

AASB 2013-4 applies to annual reporting periods beginning on or after 1 January 2014.

AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities

This standard provides an exemption from consolidating subsidiaries for entities that meet the definition of an ‘investment entity’. Investment entities are required to account for investments in subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments or AASB 139 Financial Instruments: Recognition and Measurement. However, an investment entity must consolidate any subsidiaries that provide investment-related services.

AASB 2013-5 applies to annual reporting periods beginning on or after 1 January 2014.

EXPOSURE DRAFTS (EDs), INVITATIONS TO COMMENT (ITCs) AND CONSULTATION PAPERS

Exposure Drafts, Invitations to Comment and Consultation Papers mentioned below can be downloaded from the AASB website at www.aasb.gov.au or by clicking on the links below.

ED 245 Agriculture: Bearer Plants (proposed amendments to AASB 116 and AASB 141) - July 2013

This exposure draft proposes that bearer plants be treated as property, plant and equipment under AASB 116 Property, Plant and Equipment, rather than under AASB 141 Agriculture. Bearer plants are those expected to bear produce for more than one year and not expected to be sold as a living plant or harvested.

The AASB sought comments by 1 October 2013.


The IASB has recommenced its project to develop an improved conceptual framework. This invitation to comment incorporates the IASB discussion paper on this topic, which proposes the following changes to the existing conceptual framework:

- revised definitions of assets and liabilities and additional guidance to support those definitions;
- removing the probability recognition criteria for assets and liabilities, meaning that assets and liabilities can be recognised even when the probability of an inflow or outflow of economic benefits is less than 50 percent;
- addressing derecognition of assets and liabilities;
- guidance in selecting the most appropriate measurement basis for an asset or a liability;
- a new section on presentation and disclosure; and
- principles for distinguishing profit or loss from other comprehensive income.

The AASB seeks comments by 8 November 2013.
THE REDUCED DISCLOSURE REGIME

From 1 July 2013, a two-tiered reporting framework has existed in Australia, due to the introduction of the Reduced Disclosure Regime (RDR). Tier 1 entities are required to comply with all requirements of Australian Accounting Standards (AASs). Tier 2 entities are required to comply with the recognition and measurement requirements of AASs but with substantially reduced disclosure requirements. For-profit private sector reporting entities with public accountability and federal, state, territory, and local governments must report in accordance with Tier 1. Other entities, including all government-controlled entities, may report in accordance with Tier 1 or Tier 2, depending on the decisions of their respective regulators.

NEW, REVISED AND AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards amend the requirements of the Reduced Disclosure Regime

AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements

AASB 2013-6 amends AASB 136 Impairment of Assets to exempt Tier 2 entities from all the disclosure requirements except the requirements to disclose recognised impairment losses and reversals and the recoverable amount of impaired assets.

This standard applies to annual reporting periods beginning on or after 1 January 2014.

EXPOSURE DRAFTS (EDS), INVITATIONS TO COMMENT (ITCS) AND CONSULTATION PAPERS

The following exposure drafts propose changes to the Reduced Disclosure Regime.

Tier 2 Supplement to ED 230 Classification and Measurement: Limited Amendments to AASB 9 (proposed amendments to AASB 9 (2010)) - July 2013

This exposure draft proposes to exempt Tier 2 entities from the proposed requirement in ED 230 Classification and Measurement: Limited Amendments to AASB 9 to disclose financial assets mandatorily measured at fair value through other comprehensive income separately from equity instruments designated as such upon initial recognition.

The AASB sought comments by 16 September 2013.

Tier 2 Supplement to ED 237 Financial Instruments: Expected Credit Losses - July 2013

This exposure draft proposes to exempt Tier 2 entities from some of the disclosure requirements set out in ED 237 Financial Instruments: Expected Credit Losses, particularly reconciliations.

The AASB sought comments by 16 September 2013.

Tier 2 Supplements to ED 242 Leases - September 2013

This exposure draft proposes to exempt Tier 2 entities from some of the disclosures proposed in ED 242 Leases, particularly reconciliations. It supersedes the Tier 2 Supplement to ED 202R issued by the AASB in November 2010.

The AASB seeks comments by 15 November 2013.

DEPARTMENT OF FINANCE

Copies of Finance Minister’s Orders, Finance Circulars, FinanceBriefs and Accounting Guidance Notes are available from the Department of Finance website at www.finance.gov.au or by clicking on the links below.

FINANCE CIRCULARS

2013/05 Commonwealth Property Management Framework Lease Endorsement Process for FMA Act Agencies

This Finance Circular outlines a new requirement for agencies to seek endorsement from the Finance Secretary prior to entering into property leases subject to the Commonwealth Property Management Framework. This requirement applies to new leasing arrangements with a whole-of-life cost above $30 million (or $100 million for the Department of Defence). The Finance Circular explains how to seek Finance Secretary endorsement.
DEPARTMENT OF FINANCE (CONTINUED)

This Finance Circular applies to all FMA Act agencies and took effect from 8 August 2013.

ACCOUNTING GUIDANCE NOTES

There were no Accounting Guidance Notes issued by the Department of Finance in the period July to September 2013.

FINANCEBRIEFS

There were no FinanceBriefs issued by the Department of Finance in the period July to September 2013.

CONTACT US

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