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 Spring 2012 edition and lists performance audits scheduled for release in the January to March 2013 period.

**ANAO AUDIT REPORTS**

**RECENTLY TABLED AUDIT REPORTS**

The following section contains the objectives of ANAO audit reports tabled from October to December 2012. 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 7: Improving Access to Child Care – the Community Support Program ▼**

The objective of the audit was to assess the effectiveness of the Department of Education, Employment and Workplace Relations’ administration of the Community Support Program. The program aims to improve access to child care, especially in areas where the market would otherwise fail to provide services.

**Audit Report No 9: Delivery of Bereavement and Family Support Services through the Defence Community Organisation ▼**

The objective of the audit was to assess the management and effectiveness of the Defence Community Organisation’s delivery and coordination of support services to Australian Defence Force (ADF) families, in particular support services provided when an ADF member is seriously injured or ill, or dies in service.

**Audit Report No 8: Australian Government Coordination Arrangements for Indigenous Programs ▼**

The objective of the audit was to assess the effectiveness of the Department of Families, Housing, Community Services and Indigenous Affairs in coordinating whole-of-government commitments to closing the gap in Indigenous disadvantage.

**Audit Report No 10: Managing Aged Care Complaints ▼**

The objective of the audit was to assess the Department of Health and Ageing’s (DoHA’s) implementation and ongoing management of the Aged Care Complaints Scheme and the effectiveness of DoHA’s complaint management systems in supporting service delivery and regulatory outcomes.

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Audit Report No 11: Establishment, Implementation and Administration of the Quarantined Heritage Component of the Local Jobs Stream of the Jobs Fund

The objective of this audit was to assess the efficiency and effectiveness of the establishment, implementation and administration of the quarantined heritage component of the Local Jobs stream of the Jobs Fund. A particular focus was on the establishment of program objectives and the extent to which approved grants have demonstrably contributed to the cost-effective achievement of those objectives.

Audit Report No 12: Administration of Commonwealth Responsibilities under the National Partnership Agreement on Preventive Health

The audit objective was to assess the effectiveness of the Department of Health and Ageing and the Australian National Preventive Health Agency in fulfilling the Commonwealth’s role in implementing the Council of Australian Government’s National Partnership Agreement on Preventive Health, to achieve the Agreement’s objectives, outcomes and outputs, including supporting all Australians to reduce their risk of chronic disease.

Audit Report No 13: The Provision of Policing Services to the Australian Capital Territory

The objective of the audit was to assess the effectiveness of the Australian Federal Police’s management of the delivery of policing services to the Australian Capital Territory (ACT). The audit examined whether:

- policing services specified in the Policing Arrangement and the Purchase Agreement are being delivered;
- reporting arrangements are appropriate and complied with;
- the ACT Police Minister’s Directions are complied with; and
- ACT Policing has effective stakeholder engagement and relationship management arrangements.

Audit Report No 14: Delivery of Workplace Relations Services by the Office of the Fair Work Ombudsman

The audit objective was to assess the effectiveness of the Fair Work Ombudsman’s (FWO’s) administration of education and compliance services in relation to the Fair Work Act 2009. The three high-level audit criteria used to assess the FWO’s performance were:

- education and compliance services are well-designed and appropriately targeted;
- education and compliance services are effectively delivered; and
- the effectiveness of education and compliance services is monitored, evaluated and reported to stakeholders.


The objective of this report was to provide:

- comprehensive information on the status of selected Major Projects, as reflected in the Project Data Summary Sheets (PDSSs) prepared by the Defence Material Organisation (DMO), and the Statement by the Chief Executive Officer of the DMO;
- the Auditor-General’s formal review conclusion on the ANAO’s review of the preparation of the PDSSs by the DMO in accordance with the endorsed Guidelines;
- ANAO analysis on the three key elements of the PDSSs—cost, schedule and capability; in particular, longitudinal analysis across these key elements of projects over time; and
- further insights and context by the DMO on issues highlighted during the year.


The ANAO is responsible for the audits of the financial statements of all Australian Government entities. This report provides a summary of the final audit results of these entities, including those for the Consolidated Financial Statements of the Australian Government.
AnAo Audit Reports Scheduled to Be Tabled January to March 2013

- Administration of New Income Management in the Northern Territory;
- Design and Implementation of the Energy Efficiency Information Grants Program;
- Family Support Program: Support for Children;
- Administration of the Domestic Fishing Compliance Program;
- Remediation of the Lightweight Torpedo;
- Natural Disaster Recovery Work Plans in Queensland and Victoria;
- Australian Government Reconstruction Inspectorate – Achieving Value for Money in Reconstruction Expenditure Relating to the Victorian Floods;
- Managing Services Provided to People in Immigration Detention;
- Tasmanian Forest Intergovernmental Agreement Contractors Voluntary Exit Grants Program;
- Defence’s Implementation of Audit Recommendations;
- Implementation of Research Block Grants Program;
- Management of Seized and Detained Goods;
- Indigenous Early Childhood Development: Children and Family Centres;
- Tax Expenditure Statements: Follow On;
- Administration of Grants from the Education Investment Fund;
- Administration of the Veterans’ Children Education Schemes;
- The Regulation of Tax Agents by the Tax Practitioners Board; and
- Management of ATO Property Portfolio.

AnAo Better Practice Guides

Public Sector Internal Audit

This Guide replaces the Guide issued by the ANAO in 2007. It complements the ANAO’s Better Practice Guide—Public Sector Audit Committees issued in September 2011. The Guide, which has a public sector orientation, is intended to be a reference document for chief Executives, Boards, members of Audit Committees, managers with responsibility for internal audit activities, and internal audit staff. As with all ANAO Better Practice Guides, each entity is encouraged to use the Guide to identify, and apply, better practice principles and practices that are tailored to its particular circumstances.

Guides Scheduled to be Published January to March 2013

There are no Better Practice Guides scheduled to be published in the period January to March 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 and Deregulation.

AASB 2012-8 Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms

AASB 2012-8 provides a two-year period of transitional relief from the requirement of Chapter 2 Amendments to Defence Weapons Platforms of the Australian Bureau of Statistics (ABS) GFS Manual. The effect of this relief is that the Australian Government will not be required to measure defence weapon platforms at fair value until 2014-15. This will allow additional time to address the requirement to measure defence weapons platform assets at fair value.
AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039

This Standard effectively withdraws Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia. Interpretation 1039 explained that proposed changes to income tax legislation should be taken into account for the purpose of measuring deferred tax balances when a Bill had been introduced into Parliament and had majority support in both Houses. The AASB decided that this Interpretation was no longer necessary.

AASB 2012-9 applies to annual reporting periods beginning on or after 1 January 2013.

AASB 2012-10 Amendment to Australian Accounting Standards – Transition Guidance and Other Amendments

AASB 2012-10 provides relief to not-for-profit entities by deferring the mandatory application date of AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AABS 127 Separate Financial Statement and AASB 128 Investments in Associates and Joint Ventures until annual reporting periods beginning on or after 1 January 2014.

This Standard also provides additional transitional relief in AASB 10, AASB 11 and AASB 12 from requirements to disclose the quantitative effect of these standards in respect of the comparative period. It also removes, in respect of the comparative period, the requirements to make disclosures about certain unconsolidated entities.

Finally, AASB 2012-10 makes minor editorial amendments to a number of standards and one interpretation.

AASB 2012-10 is effective for the annual periods beginning on or after 1 January 2013.

ED 228 Exposure Equity Method: Share of Other Net Asset Changes - November 2012

ED 228 proposes additional guidance to AASB 128 Investment in Associates and Joint Ventures on the application of the equity method, a method of accounting whereby the investment is initially recognised at cost and subsequently adjusted to reflect the change in the investor’s share of the investee’s net assets. Specifically, ED 228 proposes that changes in the net assets of an investee to be recognised in the following manner:

- the investor’s share of the investee’s profit or loss is recognised in the investor’s profit or loss;
- the investor’s share of the investee’s other comprehensive income is recognised in the investor’s other comprehensive income;
- distributions received from an investee reduce the carrying amount of the investment; and
- the investor’s share of the investee’s other net asset changes is recognised in the investor’s equity.

This exposure draft also proposes to reclassify to profit or loss the cumulative amount recognised in equity for other net

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new, REVIsed And AmendIng Accounting standards And interpretations (continued)

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 227 Proposed Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms - October 2012

Since releasing ED 227, AASB has approved AASB 2012-8 Amendments to AASB 1049 – Extension of Transitional Relief for the Adoption of Amendments to the ABS GFS Manual relating to Defence Weapons Platforms. Commentary on AASB 2012-8 is provided in this version of Opinions under the heading ‘Australian Accounting Standards Board Developments’.

ED 228 Exposure Equity Method: Share of Other Net Asset Changes - November 2012

ED 228 proposes additional guidance to AASB 128 Investment in Associates and Joint Ventures on the application of the equity method, a method of accounting whereby the investment is initially recognised at cost and subsequently adjusted to reflect the change in the investor’s share of the investee’s net assets. Specifically, ED 228 proposes that changes in the net assets of an investee to be recognised in the following manner:

- the investor’s share of the investee’s profit or loss is recognised in the investor’s profit or loss;
- the investor’s share of the investee’s other comprehensive income is recognised in the investor’s other comprehensive income;
- distributions received from an investee reduce the carrying amount of the investment; and
- the investor’s share of the investee’s other net asset changes is recognised in the investor’s equity.

This exposure draft also proposes to reclassify to profit or loss the cumulative amount recognised in equity for other net

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asset changes when the use of equity method is discontinued by the investor.

The AASB seeks comments by 8 February 2013.

**ED 229 Annual Improvements to IFRSs 2011–2013 Cycle - November 2012**

ED 229 proposes amendments to a number of standards as part of the IASB’s Annual Improvements project.

This exposure draft proposes to amend:

- AASB 1 *First-time Adoption of Australian Accounting Standards*, to clarify which version of these Standards an entity should apply in its first financial statements. It clarifies that an entity is allowed (but not required) to early adopt a new standard in its first financial statements, where that standard permits early adoption.

- AASB 3 *Business Combinations*, to exclude from its scope the formation of all types of joint arrangements under AASB 11 *Joint Arrangements*, in the financial statements of those joint arrangements, where that standard permits early adoption.

- AASB 13 *Fair Value Measurement*, to expand the option to measure the fair value of assets and liabilities on a net basis to all contracts within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 9 *Financial Instruments*; and

- AASB 140 *Investment Property*, to clarify that judgement is required to determine whether the acquisition of an investment property is the acquisition of an asset, a group of assets or a business combination within the scope of AASB 3.

The AASB seeks comments by 4 February 2013.

**ED 230 Classifications and Measurement: Limited Amendments to AASB 9 - December 2012**

This exposure draft proposes to amend AASB 9 *Financial Instruments (2010)* to require financial assets to be measured at fair value through other comprehensive income, if they:

- comprise contractual cash flows that are solely payments of principal and interest; and
- are held in order to collect contractual cash flows, and for sale.

This exposure draft also proposes to eliminate the phased approach to the early application of AASB 9, except for the requirements related to own credit risk.

The AASB seeks comments by 1 March 2013.

**ED 231 Clarification of Acceptable Methods of Depreciation and Amortisation – December 2012**

This exposure draft proposes to amend AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to clarify that a revenue-based method should not be used to calculate the charge for depreciation and/or amortisation, because revenue-based methods reflect a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset.

The AASB does not expect that adoption of the proposal would have a significant impact on current practice in Australia.

The AASB seeks comments by 22 March 2013.

**ED 232 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – December 2012**

This exposure draft proposes to amend AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* to eliminate an inconsistency in the accounting for gains and losses arising from contributions of non-monetary assets to an associate or a joint venture. The proposed amendments require gains or losses resulting from the sale or contribution of a subsidiary, which does not constitute a business between an investor and its associate or joint venture, to be recognised only to the extent of the unrelated investors’ interest in the associate or joint venture.

The AASB seeks comments by 22 March 2013.
ED 233 Australian Additional Disclosures – Investment Entities – December 2012

This exposure draft deals with the International Accounting Standard Board’s (IASB’s) amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. The IASB’s amendments provide investment entities with an exemption from consolidation requirements and require investment entities to measure their subsidiaries at fair value through profit and loss rather than consolidating them.

ED 223 proposes additional disclosures to reduce the impact that the consolidation exemption would have on decision making by users of financial statements. The additional disclosures required of investment entities would be:

• a consolidated statement of profit or loss and other comprehensive income;
• a consolidated statement of financial position;
• a consolidated statement of changes in equity;
• a consolidated statement of cash flows; and
• a summary of the significant accounting policies used in preparing the above consolidated financial statements.

The AASB seeks comment by 29 March 2013.

ED 234 Acquisition of an Interest in a Joint Operation – December 2012

This exposure draft proposes to amend AASB 1 First-time Adoption of Australian Accounting Standards and AASB 11 Joint Arrangements. The proposal will require the business combination principles in AASB 3 Business Combinations to be applied by a joint operator when acquiring an interest in a joint operation.

The proposed amendment will apply to the acquisition on an interest in:

• an existing joint operation; and
• a joint operation on its formation, provided that an existing business contributed to the joint operation on its formation.

The AASB seeks comments by 22 March 2013.

ED – Fatal Flaw Draft – AASB 105X Budgetary Reporting – December 2012

The objective of AASB 105X Budgetary Reporting is to set out budgetary disclosure requirements for the whole-of-government, the General Government Sector (GGS) and for not-for profit entities within the GGS of each government.

This Standard will require:

• explanation of major variances between the actual amounts presented in the financial statements and the corresponding original budgeted amounts for controlled and administered items; and
• disclosure of the budgeted information on the same presentation and classification bases adopted in the financial statements or schedule of administered items.

The budgetary disclosure requirements in this Standard only apply to an entity within GGS where budgeted information about controlled or administered items is separately identified as relating to that entity, and that budgeted information is presented to parliament. Comparative information in respect of the previous period need not be disclosed.

Explanations of major variances should be high-level explanations which are relevant to an assessment of the discharge of accountability and to the analysis of performance.

The AASB is not seeking comments on the general approach and the fundamental principles set out in this draft Standard. Any comments on other matters should be made to the AASB by 30 January 2013.

The AASB intends to make this Standard applicable for financial reporting periods beginning on or after 1 July 2014.

The objective of AASB 2012 – XX Amendments to AASB 1049 is to relocate the requirements relating to the disclosure of budgetary information by public sector entities from AASB 1049 Whole of Government and General Government Sector Financial Reporting into one topic-based standard, AASB 105X Budgetary Reporting.

The AASB is not seeking comments on the general approach and the fundamental principles set out in this draft Standard. Any comments on other matters should be made to the AASB by 30 January 2013.

The AASB intends to make this Standard applicable for financial reporting periods beginning on or after 1 July 2014.

THE REDUCED DISCLOSURE REGIME

From 1 July 2013, a two-tiered reporting framework will exist in Australia, due to the introduction of the Reduced Disclosure Regime (RDR). Tier 1 entities will be required to comply with all requirements of Australian Accounting Standards (AASs). Tier 2 entities will be 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.

• comply with the Australian Accounting Standards – Reduced Disclosure Requirements;
• have an ultimate or intermediate parent that prepares consolidated financial statements in accordance with Australian Accounting Standards (even as a not-for-profit entity) or with Australian Accounting Standards – Reduced Disclosure Requirements; and
• meet the criteria in paragraphs 4(a)(i) to 4(a)(iii) of AASB 10 Consolidated Financial Statements or paragraphs 17(a) to 17(c) of AASB 128 Investments in Associates and Joint Ventures.

Additionally, this Standard makes various editorial corrections to Australian Accounting Standards – Reduced Disclosure Requirements (Tier 2).

AASB 2012-11 applies to annual reporting periods beginning on or after 1 July 2013.

NEW, REVISED AND AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS

The following standards amend the requirements of the Reduced Disclosure Regime applicable for reporting periods on or after 1 July 2013.

AASB 2012-11 Amendment to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments

AASB 2012-11 provides relief from consolidation and the equity method for entities that:

Exposure Drafts (EDs), Invitations to Comment (ITCs) and Consultation Papers

The following exposure drafts propose changes to the Reduced Disclosure Regime applicable for reporting periods on or after 1 July 2013.

There were no Exposure Drafts for the Reduced Disclosure Regime in the period October to December 2012.
Copies of Finance Minister’s Orders, Finance Circulars, FinanceBriefs and Accounting Guidance Notes are available from the Department of Finance and Deregulation website at www.finance.gov.au or by clicking on the links below.

FINANCE CIRCULARS

Finance Circular No. 2012/03 Payment Terms for Australian Government Travel Arrangements — Card Services

This Finance Circular sets out the payment terms for the travel and related payment card established for the whole-of-government travel arrangements. It applies to all agencies subject to the Financial Management and Accountability Act 1997, and also to those bodies subject to the Commonwealth Authorities and Companies Act 1997 that have opted in to the arrangements.

This Finance Circular took effect from 1 October 2012.

Finance Circular No. 2012/05 Use of the Best Fare of the Day for Official International Air Travel

This Finance Circular replaces Finance Circular 2009/11: Best Fare of the Day for International Official Air Travel. It sets out agency requirements for achieving value for money when selecting, booking and approving official international air travel. It applies to all agencies subject to the Financial Management and Accountability Act 1997.

This Finance Circular took effect from 1 October 2012.

Finance Circular No. 2012/06 Funding Arrangements for Commonwealth Property

This Finance Circular provides guidance on classifying Commonwealth owned, non-defence property as Special Purpose Property (SPP), and outlines the new funding arrangements for those properties. It also provides guidance to agencies on alternative funding arrangements when making decisions concerning Commonwealth property. The guidance applies to all agencies subject to the Financial Management and Accountability Act 1997 and the Commonwealth Property Management Framework.

This Finance Circular reflects the Government’s decision on new arrangements for managing and funding SPPs that came into effect on 17 April 2012.

ACCOUNTING GUIDANCE NOTES

There were no Accounting Guidance Notes issued by the Department of Finance and Deregulation in the period October to December 2012.

FINANCEBRIEFS

There were no FinanceBriefs issued by the Department of Finance and Deregulation in the period October to December 2012.