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 Summer 2014 edition and lists performance audits scheduled for release in the April to June 2014 period.

ANAO AUDIT REPORTS
RECENTLY TABLED AUDIT REPORTS

The following section contains the objectives of ANAO audit reports tabled from January to March 2014. 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 16: Administration of the Smart Grid, Smart City Program ►

The objective of the audit was to assess the effectiveness of the administration of the Smart Grid, Smart City Program, including the establishment, implementation and ongoing management of the program.

To form a conclusion against this audit objective, the ANAO examined the:

• program’s design and establishment, including governance and oversight arrangements;
• grant assessment process to select the provider for the program;
• negotiation and management of the funding agreement; and
• monitoring, reporting and evaluation arrangements put in place to determine the extent to which the program has achieved its objectives.

Audit Report No 17: Administration of the Strengthening Basin Communities Program ►

The objective of the audit was to assess the effectiveness of the Department of Environment’s administration of the Strengthening Basin Communities Program.

To form a conclusion against this audit objective, the ANAO adopted the following high-level criteria:

• the program design reflected the policy intention;
• sound administration arrangements were put in place to support its implementation;
• the assessment and selection process was sound and provided Ministers with sufficient information to support their decisions;
RECENTLY TABLED AUDIT REPORTS (CONTINUED)

- funding agreements were effectively negotiated and managed; and
- progress against the program’s objectives was monitored and reported.

Audit Report No 18: Administration of the Improving Water Information Program

The objective of the audit was to assess the effectiveness of the Bureau of Meteorology’s implementation of the Improving Water Information Program.

To form a conclusion against this audit objective, the ANAO adopted the following high-level criteria:

- sound planning processes and governance arrangements were established;
- effective arrangements for collaborating with water organisations and providing financial assistance to water data providers were developed; and
- arrangements for collecting and managing water data and for producing high-quality water information products were appropriate.

Audit Report No 19: Management of Complaints and Other Feedback

The objective of the audit was to assess the effectiveness of the ATO’s complaints and other feedback management systems in supporting service delivery.

To form a conclusion against this objective, the ANAO examined whether the ATO has:

- well-planned and designed complaints and other feedback management arrangements;
- sound processes to manage complaints and other feedback; and
- effectively analysed complaints and other feedback to inform service delivery.

Audit Report No 20: Management of the Central Movement Alert List: Follow-on Audit

The objective of the audit was to assess the effectiveness of the Department of Immigration and Border Protection (DIBP)’s management of the Central Movement Alert List (CMAL) system, having particular regard to the recommendations contained in Audit Report No. 35 of 2008–09.

In order to form a conclusion against the audit objective, the ANAO examined the Department’s:

- strategic approach to the management of CMAL;
- management of CMAL and its implementation of the recommendations of the 2008 audit; and
- management of CMAL stakeholder relations.

Audit Report No 21: Pilot Project to Audit Key Performance Indicators

In 2012–13, the ANAO pilot project to audit Key Performance Indicators (KPIs) was continued with the objective of conducting a review of framework developments, both in terms of the clarity of the policy and guidance issued by Finance and the performance of agencies in applying this policy and guidance, as a basis for implementing a future program of audits, and to further develop and test an audit methodology to address the practical challenges of assessing the appropriateness of KPIs, and their complete and accurate reporting. The pilot project included:

- a cross-agency survey assessing Australian Government agencies’ approaches and attitudes towards performance measurement and reporting more broadly, including internal governance arrangements and the extent to which performance measurement is used in agencies’ management decision-making processes; and
- an examination of the 2012–13 and 2013–14 Portfolio Budget Statements of the three agencies participating in the pilot project, and the completeness and accuracy of the KPI data and disclosures in the agencies’ annual reports.

Audit Report No 22: Air Warfare Destroyer Program

The objective of the audit was to report on the progress of the current phase of the Air Warfare Destroyer (AWD) Program, which is known as SEA 4000 Phase 3–Build. This phase commenced in June 2007, and covers the finalisation of the detailed design, the signing of the Alliance and Platform System Design contracts, and the construction and delivery of the ships by the Industry Participants to the Defence Materiel Organisation (DMO).
The audit focused primarily on Defence’s administration of the AWD Program. The ANAO adopted the following high-level criteria:

- contract management processes should be in accordance with internal Defence procedures and contractual provisions;
- appropriate project governance, financial controls, and reporting mechanisms should be in place;
- delivery and acceptance arrangements should assure conformance with technical regulatory requirements; and
- the program should adhere to agreed systems engineering procedures.

Audit Report No 23: Policing at Australian International Airports

The objective of the audit was to assess the Australian Federal Police’s management of policing services at Australian international airports. In order to form a conclusion against this audit objective, the ANAO examined whether:

- the transition to the ‘All In’ model of policing at airports (Project Macer) had been delivered effectively;
- appropriate processes are in place for managing risk and operational planning;
- effective stakeholder engagement, relationship management and information sharing arrangements are in place;
- facilities at the airports are adequate and appropriate; and
- appropriate mechanisms for measuring the effectiveness of policing at airports have been developed and implemented.

ANAO AUDIT REPORTS SCHEDULED TO BE TABLED APRIL TO JUNE 2014

- Emergency Defence Assistance to the Civil Community
- Management of Building Better Regional Cities Program
- Medicare Compliance Audits
- Integrity of Medicare Data
- Review of Child Support Objections
- Regulation of Commonwealth Radiation and Nuclear Activities
- TGA: Administering the Code of Good Manufacturing Practice for Prescription Medicines
- Implementation of ANAO Performance Audit Recommendations
- Managing Conflict of Interest in FMA Agencies
- Establishment and Administration of National Offshore Petroleum Safety and Environmental Management Authority
- Commercialisation Australia Program
- Business Continuity Management
- The Australian Electoral Commission’s Transport and Storage of Completed Ballot Papers: Follow up Audit
- Cyber Attacks: Securing Agencies’ IT Systems
- Indigenous Employment in Australian Government Agencies
- Establishment and Use of Multi-Use Lists
- DVA’s Administration of Residential Care Payments
- Screening of International Mail
- Administration of Parliamentary Budget Office
- Managing Compliance of High Wealth Individuals
- DHS Initiatives to Support the Delivery of Services to Aboriginal and Torres Strait Islanders
- Delivery of the Hearing Community Service Obligation
- The National Medical Stockpile
- Managing Compliance with EPBC Act 1999 Conditions of Approval
- Trials of Intensive Service Delivery in DHS
- Management of Services Delivered by Job Services Australia
- Physical Security Management
- ATO’s Compliance Effectiveness Methodology
- Administration of the Australian Business Register
- Improving School Enrolment and Attendance through Welfare Reform Measure
- Fifth Community Pharmacy Agreement
- Multi-Role Helicopter Project MRH-90
ANAO BETTER PRACTICE GUIDES

There were no Better Practice Guides published in the period January to March 2014.

Guides scheduled to be published April to June 2014
• Administering Regulation
• Successful Implementation of Policy Initiatives
• Public Sector Governance

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 1031 Materiality (Revised)

AASB 1031 Materiality was revised as a step in the AASB’s plan to gradually withdraw this Standard. The AASB has a policy of aligning AAS with IFRS. As there is no IFRS on materiality, the AASB has decided to withdraw AASB 1031. However, the withdrawal of AASB 1031 would require considerable consequential amendments. In the interim, this revised version of AASB 1031 will apply.

The revised AASB 1031 no longer defines ‘material’ or provides guidance on how to assess materiality. Instead, it references the definition of materiality in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 101 Presentation of Financial Statements and the Framework.

AASB 1031 (Revised) applies to annual reporting periods beginning on or after 1 January 2014.

AASB CF 2013-1 Amendments to the Australian Conceptual Framework

AASB CF 2013-1 amends the Framework for the Preparation and Presentation of Financial Statements (Framework) with the addition of two chapters to the Appendix: Objective of general purpose financial reporting and Qualitative characteristics of useful financial information. The amendments integrate the IASB’s revised framework document into the Framework and withdraw SAC 2 Objective of General Purpose Financial Reporting.

AASB CF 2013-1 applies to reporting periods ending on or after 20 December 2013.

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

AASB 2013-9 contains three parts.
Part A updates references to the Framework in some AAS and Interpretations.

Part B removes references to AASB 1031 Materiality in several AAS.

Part C adds a new chapter on hedge accounting to AASB 9 Financial Instruments. The objective of hedge accounting is to show how an entity’s use of financial instruments to manage particular risks affects its profit or loss. If an entity uses hedge accounting, it is required to account for related gains and losses in accordance with the new chapter 6 of AASB 9.

Part C also defers the mandatory effective date of AASB 9 from 1 January 2015 to 1 January 2017.

Part A applies to annual reporting periods beginning on or after 20 December 2013.
Part B applies to annual reporting periods beginning on or after 1 January 2014.
Part C applies to annual reporting periods beginning on or after 1 January 2015.

AASB 1048 Interpretation of Standards (Revised) – December 2013

AASB 1048 lists all Australian Interpretations on issue and is updated when a new or revised Interpretation is issued. The revised and reissued December 2013 version of AASB 1048 supersedes the version issued in June 2012.

AASB 1048 (Revised) applies to reporting periods ending on or after 20 December 2013.
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.


The AASB invites comments on the IASB’s review of IFRS 3 Business Combinations.

The key requirements under review are:
- determining whether a transaction of a group of assets constitutes a business;
- recognising separately intangible assets from goodwill; and
- measuring each asset and liability transferred in a business combination at fair value.

The AASB seeks comments on this ITC by 2 May 2014.

ED 249 Disclosure Initiative Proposed Amendments to AASB 101 – March 2014

This exposure draft proposes to amend AASB 101 Presentation of Financial Statements as a result of International Accounting Standards Board’s projects.

The key changes proposed are:
- allowing entities to decide whether a particular disclosure was material and necessary, even if that disclosure was required by a Standard; and
- allowing entities flexibility in determining a systematic order for the notes.

The AASB seeks comments on this exposure draft by 30 June 2014.

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 MINISTER’S ORDERS

For 2013-14, the Finance Minister’s Orders (Financial Statements for reporting periods ending on or after 1 July 2011) continue in effect as amended by the Finance Minister’s Amendment Orders (Financial Statements for reporting periods ending on or after 1 July 2013). The FMOs and the amendments are consolidated into the 2013-14 FMOs document published by Finance.

The main changes affecting the 2013-14 reporting period are:
- a definition regarding senior executive remuneration has changed. ‘Reportable salary’ no longer includes salary-sacrificed superannuation. Instead, it now includes reportable employer superannuation contributions, as reported in each individual’s PAYG payment summary;
- the reclassification of annual leave from short term employee benefits to other long-term employee benefits in Table A of the senior executive remuneration note;
- the disclosure of cost recovery has changed and is not limited to receipts. Instead, entities will be required to add accrual information, as per PRIMA forms. The Department of Finance is expected to release the PRIMA forms shortly;
- new disclosures will be required to comply with AASB 13 Fair Value Measurement, as per the PRIMA forms; and
- use of the reduced disclosure regime by entities subject to the FMOs is explicitly prohibited.

FINANCE CIRCULARS

There were no Finance Circulars issued by the Department of Finance in the period January to March 2014.

FINANCEBRIEFS

The Department of Finance has withdrawn two FinanceBriefs that are no longer considered necessary. The withdrawal of these documents is not intended to change entities’ accounting policies.

FinanceBrief 28 - Interpretation 4: Determining Whether an Arrangement Contains a Lease. This document explained how to apply Interpretation 4 to determine whether an arrangement contains a lease.
FinanceBrief 33 - The Indigenous Employment Special Account. This document specified the reporting requirements for agencies who were involved with the now defunct Indigenous Employment Special Account.

There were no FinanceBriefs issued in the period January to March 2014.

ACCOUNTING GUIDANCE NOTES

The Department of Finance has withdrawn three Accounting Guidance Notes (AGNs) that are no longer considered necessary. The withdrawal of these documents is not intended to change entities’ accounting policies.

AGN 2007/2 - Identification of Executive Remuneration. This document identified which employee benefits are to be included as executive remuneration for reporting purposes under the FMOs.

AGN 2008/1 - AASB 7 Financial Instruments: Disclosures. This document explained the disclosure requirements for financial instruments.

AGN 2009/1 – Impairment of Available-for-Sale Equity Financial Instruments – Clarification of Paragraph 61 of AASB 139. This document provided thresholds for assessing whether an available-for-sale equity financial instrument had experienced a significant or prolonged decline in fair value that might trigger impairment.

There were no Accounting Guidance Notes issued by the Department of Finance in the period January to March 2014.