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Welcome to the sixth edition of Accounting & Assurance News Today for 2012. What follows is a brief update on changes and proposed changes in the financial reporting and assurance sphere.



Issue 6

17 February 2012

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Upcoming conference

**Accounting Conference 2012**

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### 1. Audit committee thought leadership paper

Audit committee chairmen are aware of their obligation as a sub-committee of the board and understand the knowledge and accountability required to operate effectively. This is a clear sentiment resonating among audit committee chairmen interviewed as part of the Institute's latest thought leadership paper, [Walk the line: Discussions and insights with leading audit committee members \(PDF\)](#).

The paper, prepared by the Institute in partnership with the [UK Financial Reporting Council](#) and the [Institute of Chartered Accountants of Scotland](#) provides insights from a series of interviews with audit committee chairmen of publicly listed companies about the role and challenges facing audit committees.

It identifies some of the key challenges facing audit committees as being:

- Unrealistic expectations
- Communications to bridge the expectation gap
- Legal responsibilities and liabilities
- Keeping the flow with new members
- Quality of information
- Knowledge of accounting standards.

It also examines the different relationships audit committees form with the board, management, external auditor and shareholders and concludes with a series of questions for audit committee members to reflect on. More details on the paper are available on the [Institute website](#).

The Institute's CEO Lee White has also made some comments about the audit committee forum, which can be found on his [blog](#). Learn more about enhancing audit quality and other current audit issues at the [Institute's audit conference](#).

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### 2. Insolvency reform submission

The Institute has lodged its [submission](#) to the Federal Government's reform proposals for insolvency practitioners contained in Treasury's proposals paper, [A modernisation and harmonisation of the regulatory framework applying to insolvency practitioners in Australia](#).

This paper, issued in December 2011, set out a framework for corporate and personal insolvency regulation that is designed to promote a high level of practitioner professionalism and competency, enhance transparency and communication between insolvency practitioners and stakeholders, and promote increased efficiency in insolvency administration.

The submission discusses the likelihood of the proposals achieving the federal government's desired policy outcomes. While it supports many of the proposed reforms, it calls for greater policy analysis or clarification in such areas including:

- Standards of entry into the insolvency profession
- Registration of insolvency practitioners
- Insurance requirements
- Discipline and deregistration
- Regulator powers.

Institute CEO Lee White will be participating in [ASIC's Summer School 2012](#) being held next week. The theme of the conference is 'Building resilience in turbulent times' and Lee is presenting at the session 'Business on the edge – insolvency and its implications'.

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### 3. Submission on development of retail corporate bond market

The Institute has lodged its [submission](#) to the Treasury on its discussion paper 'Development of the retail corporate bond market: streamlining disclosure and liability requirements', released in December 2011, regarding proposals under the *Corporations Act 2001* aimed at developing the Australian retail corporate bond market. In its submission, the Institute commented on the proposed conditions set out in the paper regarding that " *...the auditor's report on the most recent annual financial report, and any subsequent half-yearly financial report, is unmodified*".

We note that when the legislation is drafted, care should be taken to ensure that the requirements regarding audit reports are aligned with those contained in the auditing standards issued by the Auditing and Assurance Standards Board (AUASB). That is, the distinction between modifications to the opinion contained in the audit report, and to other modifications to the audit report itself, should be clear.

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## Financial Reporting News

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### 4. AASB Meeting update

The AASB's most recent meeting was held on 15-16 February 2012 and issues discussed in detail included:

- **Accounting for carbon tax** - the AASB staff presented a paper analysing the accounting issues for emitted entities in the fixed price phase of a Carbon Price Mechanism. Some refinements to the paper were suggested by the Board.
- **Control in the NFP Private and Public Sector** - draft ED paragraphs for inclusion in AASB 10 *Consolidated Financial Statements* relating to NFP Private and public sector entities were discussed by the Board. Further, the introduction of Australian specific implementation guidance was discussed. Significant Board time was spent reviewing the detailed wording and suggestions made to be incorporated into the next version of the drafting.
- **Service Performance reporting** - the Board agreed to progress the project, and provided some direction to staff on the working definition of service performance reporting, the objective and the context of the project.
- **RDR - Tier 2 amendments** - submissions were considered on ED219 Fair Value Measurement and the related Tier 2 proposals, with a view to determining the related RDR amendments. Further, discussion was held on disclosures for Tier 2 that potentially overlap the more general disclosure requirements in other standards, for example the AASB 101 requirements to disclose significant estimates and assumptions.

Other matters discussed included:

- Consideration of submissions received on the Revenue from Contracts with Customers
- An update on the IASB projects on Leases and Financial Instruments
- IFRS Interpretations Committee projects
- An IPSASB update, including long term sustainability of finances
- AASB 1049 - Fair value of defence weapons platforms
- Agreement to issue an exposure draft to withdraw AASB 1031 *Materiality*
- The AASB draft submission on the Australian Charities and Not-for-profit Commission implementation design discussion paper.

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## 5. IFRS Governance and Strategy Review outcomes

The Monitoring Board and the Trustees of the IFRS Foundation have jointly announced the conclusions of their separate, but closely coordinated reviews of the governance and strategy of the IFRS Foundation. The Monitoring Board report is titled [Final Report on the Review of the IFRS Foundation's Governance \(PDF\)](#) and sets out the conclusions reached from its review of the institutional aspects of governance, particularly the composition and respective roles and responsibilities of the Monitoring Board, the Trustees and the IASB. This work commenced in 2010 and involved extensive public consultation including the receipt of over 80 comments letters on its exposure draft of proposed reforms issued in 2011. The board will now proceed with steps to put into operation the improvement measures it recommends.

The Trustee's report is titled '[IFRSs as the Global Standards: Setting a Strategy for the Foundation's Second Decade](#)' (PDF) and it sets out its final recommendations for the IFRS Foundation's future strategy and vision. They too are the conclusion of a process that has involved extensive public consultation over the last 2 years. The recommendations cover the IFRS Foundation's mission and public interest objective, its governance, the process and procedures used by the Foundation and the IASB; and the organisation's financing. The trustees will now initiate the process for considering the necessary revisions to the Constitution.

Both groups are committed to achieving the goal of IFRS becoming the global standard setter and as a result, the implementation of both bodies' recommendations will also be closely coordinated. A timeline for the reforms is contained in the [action plan appended to the Monitoring Board's report \(PDF\)](#).

More information is available on the [IFRS website](#).

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## 6. IASB updates work plan and Due process documents

The IASB has now issued its updated [work plan](#) showing projected outcomes of projects based on its decisions taken up until 1 February 2012.

It has also updated its [Due Process Handbook \(PDF\)](#), with the new version including all the amendments approved by the IFRS Foundation Trustees in 2011.

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## Auditing and Assurance News

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### 7. Key issues affecting SMPs identified

Staying up to date with new standards and regulations and attracting and retaining clients continue to top the list of challenges faced by small- and medium-sized accountancy practices (SMPs). These were the key findings of the [fourth quarter SMP Quick Poll 2011 \(PDF\)](#) which has been recently released by IFAC's SMP committee. The survey asked SMPs to respond to a range of questions about the key issues which confront them and the new report includes both the fourth quarter poll results and trend data from the questions asked in each of the four polls conducted throughout 2011.

The 2400 responses received also indicated that pessimism has increased since the last poll was conducted in August, due in part to the high European response rate in the fourth quarter and deepening debt crisis across that region. Only 29 per cent reported that business was better in 2011 than 2010, but respondents are slightly more optimistic about the year to come with one-third expecting an improvement in business performance in 2012 over 2011. The poll also found that the main driver of growth is business from new clients, with the fastest growing practice area in 2011 being accounting and compilation, followed by advisory/consulting services.

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## Regulatory News

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## 8. Charitable fund raising reforms

Reforming the regulation of charitable fundraising is the next target of the federal government's current not for profit reform agenda. Treasury has released a discussion paper (DP), '[Charitable fundraising regulation reform' \(PDF\)](#), which sets out a framework for a new, nationally-consistent approach to the laws that govern charitable fundraising. The new rules are designed to replace the multitude of individual state and territory regulations affecting this sector, all of which pose a significant compliance burden on charities operating in more than 1 state. Comments on the paper are due to the Treasury by **5 April 2012** and it is accompanied by a new [Treasury Fact sheet \(PDF\)](#) which provides a quick overview of the proposed reforms.

The need for regulatory reform of fundraising laws was a key recommendation of the Productivity Commission's 2010 report, *Contribution of the Not-for-profit sector* and the DP's key aims are to reduce fundraising red tape while ensuring donors have more certainty about how the money they donate is being spent. The new laws will apply to organisations registered as charities with the NFP sector's proposed new regulator, [Australian Charities and Not-for-profits Commission \(ACNC\)](#), which will have oversight of the national framework. However, the State and Territory regulators would continue to play a role in jointly regulating fundraising under the national law. The paper is seeking public comment on a range of issues including the scope of 'fundraising activities' to be regulated, any potential exemptions for smaller charities, regulation of the conduct of fundraisers, the use of internet fundraising and fundraising by third parties on behalf of charities.

Comments for possible inclusion in the Institute's submissions are welcome but must be received via [<techsubmissions@charteredaccountants.com.au>](mailto:techsubmissions@charteredaccountants.com.au) by **23 March 2012**. More information is available in the [Treasury's press release](#).

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## 9. Corporate insolvencies still rising

Corporate insolvency is continuing to rise according to the latest statistics issued by ASIC. The [media release](#), summarising the results, notes that external administration appointments increased 9.2% from the previous year, a rise of 3% over the figures reported in August 2011. While appointments had been relatively steady when compared to an initial increase in activity of 26% in 2008 following the global economic downturn, 2011 has seen appointments rise, with stronger activity in the June and September quarters.

More details are in the media release and a more detailed analysis of data received by ASIC is also [available](#).

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## 10. Improved investment disclosures for debentures

ASIC has announced measures to improve investment disclosure for unlisted retail debt products such as debentures and notes by releasing revisions to its [Regulatory Guide 69 Debentures and notes: Improving disclosure for retail investors \(PDF\)](#).

The changes are aimed at ensuring investors are more aware of the risks inherent in these products and their differences to bank deposits. The new guide is accompanied by changes to the naming of both listed and unlisted retail debt products to better reflect the nature of the product, contained in a new class order [CO 12/482 When debentures can be called secured note \(PDF\)](#) and also by updated investor information on ASIC's investor and financial consumer website, [MoneySmart](#).

More details are contained in the [ASIC media release](#).

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## 11. Business names reform update

The new ASIC business names register, which will substantially reform the way people register, maintain and search business names is expected to go live on 28 May 2012, subject to the passage of legislation through the state parliaments. The new register will allow businesses to register their name nationally through a single registration service, rather than registering separately in each state and territory they operate in. Existing business name holders will have their registrations transferred automatically and will be issued with renewal reminders after the new service commences.

More information on the business name reform project, which forms part of the Federal government's commitment to cut regulatory red tape for business, is available on [ASIC's business name service home page](#). From this page readers can also access an email subscription service to keep them up to date with the progress of reform and obtain more details about the reforms themselves.

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## Professional and Ethics News

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### 12. APESB Board meeting highlights

The Accounting Professional and Ethical Standards Board (APESB) has released a [document \(PDF\)](#) setting out the highlights of its meeting held Thursday 9 February 2012.

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## Query of the Week

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### Dealing with the flood aftermath

**Q: I have a client that has been affected by the recent floods in northern New South Wales. Is there any guidance that will assist me in identifying all the issues that need considering?**

**A:** Yes. In early 2011 the Institute's reporting and assurance team answered many queries on this subject and published several Q and A's on this topic dealing with the key issues, including what to look out for during the reporting period and post balance sheet date. They discussed issues including impairment of major types of assets, treatment of clean up costs, accounting for insurance payouts and other reimbursements, onerous contracts and breaching debt covenants. The Q and A's can be accessed on our [accounting implications of natural disasters web page](#) which also provides links to various other resources that were produced on this topic which remain relevant.

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## Upcoming Meetings

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Listed below are some of the upcoming meeting dates for the major boards.

### Financial Reporting

- IASB meeting (27 February – 3 March 2012)
- Financial Reporting Council meeting (9 March 2012)

### Audit

- AUASB Meeting (27 February 2012)

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## ED Comment Closing Dates

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Listed below is a snapshot of upcoming open domestic and international accounting and assurance exposure drafts. Our website contains a complete listing of all [accounting exposure drafts open for comment](#) and [assurance exposure drafts open for comment](#).

## 22 February 2012 (AASB)

IFRS 10 Transitional Requirements

## 27 February 2012 (Treasury)

ACNC Implementation Design

## 29 February 2012 (IPSASB)

ED 46 Public sector guidelines for fiscal sustainability

## 29 February 2012 (PCAOB)

Auditing standard- Communications with Audit Committees

## 29 February (IFAC)

Evaluating and improving Internal Control in Organisations

Members are encouraged to prepare their own submission on each document and submit them to the Institute [techsubmissions@charteredaccountants.com.au](mailto:techsubmissions@charteredaccountants.com.au) no later than one week before the closing date shown.

*Note – this email address should not be used for technical queries. For this purpose, please use [rahelpline@charteredaccountants.com.au](mailto:rahelpline@charteredaccountants.com.au).*

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## Training & Development

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### [Treasury for the Finance Professional Workshop 2012](#)

Sydney, 28-29 Feb 2012

Gain the building blocks for adding value in your organisation through the specialised area of treasury.

### [Tax and Insolvency Day 2012](#)

Perth, Melbourne, Sydney, Brisbane and via LiveOne, March 2012

Understand the tax, legal and practical implications.

### [Audit Conference 2012](#)

Transparency in reporting. Sydney, Melbourne, Brisbane & Perth, March – May 2012

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## Your Input

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Please continue to help us to improve the newsletter by sharing your comments on articles featured in this newsletter, or any financial reporting and auditing issues and experiences that might be of interest to other members. Responses should be emailed to 'Your Input' ([techsubmissions@charteredaccountants.com.au](mailto:techsubmissions@charteredaccountants.com.au)) and may be published in future editions of ANT.

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## Need More Help

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Chartered Accountants in Australia.

Ways the team may be able to help you are:

- **Reporting and Assurance Helpline**

The Institute's Reporting and Assurance Team responds to inquiries from members on auditing and financial reporting issues. This service provides general assistance and guidance only. Members have the responsibility to apply their own professional judgment. The service can be contacted on (02) 9290 5702 or email [rahelpline@charteredaccountants.com.au](mailto:rahelpline@charteredaccountants.com.au).

- **Our website**

The [financial reporting](#) and [auditing and assurance](#) home pages of the Institute website contain a wealth of material on current issues in these specialties, [back issues](#) of ANT as well as detailed commentary on all the standards (including our Q and A's).

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