

## **Issue raised by the Joint Accounting Bodies on ED 211**

### **Background**

The Joint Accounting Bodies submission on the second set of proposals in ED 211 was inadvertently excluded from the agenda papers included in the mail-out.

The submission expresses support for the proposed amendments to AASB 1049. However, it raises an issue with the proposal to not amend AASB 1049 to not specify whether GGS financial statements are GPFSSs or SPFSs.

### ***Issue: Clarification of the purpose of GGS financial statements***

#### **Extract of Respondent's Comment related to the issue**

“...The absence of this information from the accounting standards means that the accounting standard does not explicitly answer, by reference to GPFSS/SPFS, the question of what is the applicable financial reporting framework for use by the entity. The *Clarity* auditing standards require the auditor to understand and to determine the acceptability of the auditee's chosen financial reporting framework used to prepare the financial statements as part of their engagement acceptance process. Further, when the auditor's report is on SPFS, the auditor's report will be required to include an emphasis of matter. We consider that the approach to be taken by the auditor in the engagement process and when reporting on the financial statements of the GGS might not be clear and we encourage the AASB to talk to the AUASB on this matter to determine whether further clarification by one or both boards is necessary...”

#### **Staff Analysis**

We understand from the post-implementation review interviews that no jurisdictions have encountered insurmountable implementation issues on this matter. In addition, the submissions on ED 212 from HoTARAC and ACAG did not identify this matter as an issue.

Our analysis of the most recent (2009-10) financial statements<sup>1</sup> shows that no jurisdiction explicitly states that their GGS financial statements are GPFSSs (although all treat them as part of their GPFSSs), however the manner in which two jurisdictions (VIC and WA) describe their financial statements could be interpreted as treating their GGS financial statements as GPFSSs.

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<sup>1</sup> This analysis is available on request from [soei@asb.gov.au](mailto:soei@asb.gov.au).

None of the 2009-10 auditor's reports explicitly state whether the GGS financial statements are GPFSs or SPFSs<sup>2</sup>.

Following discussion with AUASB staff, we understand that the reporting principles in the *Clarity* auditing standards are conceptually the same as the previous auditing standards. Therefore, we think that the issue raised by the Joint Accounting Bodies is not a new issue. There are no requirements in the *Clarity* auditing standards compared with the superseded standards that would require auditors to take a different approach to what they have done in the past.

We also note that the AASB 1049 approach to GPFS/SPFS issue is consistent with the approach taken in AASB 1053 *Application of Tiers of Australian Accounting Standards*. If the Board were to decide to address the issue, we think it could give rise to a number of consequential issues that would need to be resolved, which could unduly delay the timely completion of the current post-implementation review.

#### **Staff View**

The GPFS/SPFS issue involved lengthy discussions in the lead up to AASB 1049 (September 2006), and the Board confirmed its original decision by not proposing to amend AASB 1049 in its July 2010 meeting [July 2010 Meeting Minutes, Attachment A, Agenda item 11(d)<sup>3</sup>].

As we have not identified any new implementation issues in relation to the AASB 1049 approach, we suggest that the Board reconfirm its July 2010 decision to not amend AASB 1049 and to consider revisiting this issue as part of the ongoing Differential Reporting project.

<b>Question to Board Members</b>
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Does the Board agree with the staff's view?
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<sup>2</sup> We note however that, consistent with the Australian Auditing Standards, the style of the auditor's reports implies that the financial statements (comprising of the WoG and GGS financial statements) are not SPFSs.

<sup>3</sup> "...Consistent with the staff recommendation and rationale, AASB 1049 should not be amended in relation to this issue at this time because the AASB 1049 approach to the issue has not created insurmountable practical problems for jurisdictions. In due course, it may be appropriate to revisit the way AASB 1049 deals with the GPFS/SPFS issue, depending on the outcome of future work being undertaken on the Differential Reporting project..."