



To:	AASB members	Date:	24 May 2011
From:	Mischa Ginns	Agenda Item:	13.1
Subject:	IPSASB Conceptual Framework	File:	

Actions

Consider any sweep issues on the three current IPSASB Conceptual Framework consultative documents:

- (a) raised by constituents in their comment letters to the AASB; and
- (b) raised by AASB Subcommittee members on the draft AASB submissions to the IPSASB.

Overview

AASB staff have received some comments on the three current IPSASB Conceptual Framework consultative documents from NSW Treasury. These comments were received after emailing the two draft AASB submissions (on Phase 1 and 2) to the AASB Subcommittee. The general recommendation from NSW Treasury in its comment letters is that the IPSASB should not progress the consultation documents until the IASB and FASB have completed the relevant phases of their Conceptual Framework projects. The AASB previously decided to accept the IPSASB's decision not to wait until then.

AASB staff also received comments from David Maxwell (a consultant to local Government)(refer to extract from David's email on page 3 of this Memorandum) noting his concern that prospective information and information about the achievement of financial and service delivery objectives should not be included in the financial statements and notes. David recommends that this type of information should be included in management commentary and that information included in annual financial reports should be restricted to factual information about the past and the present. NSW Treasury raised similar concerns in its comment letter.

AASB staff will provide the Board with a verbal update on the above issues and any other sweep issues identified by constituents and Subcommittee members at the June 2011 Board meeting.

Background

Each of the three IPSASB documents was issued in December 2010, namely:

- (a) Exposure Draft 1 *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity (Phase 1)*;

- (b) IPSASB Consultation Paper *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements (Phase 2)*; and
- (c) IPSASB Consultation Paper *Measurement of Assets and Liabilities in Financial Statements (Phase 3)*.

The due date for comments is 15 June 2011. The AASB discussed issues for its submissions on the documents at the joint AASB/FRSB meeting in March 2011 and at the AASB meeting in April 2011.

Process to Finalise Submissions

The draft AASB submissions on the Phase 1 ED and the Phase 2 Consultation Paper have been provided to the AASB Subcommittee for review. A draft AASB submission on the Phase 3 Consultation Paper will be provided to the Subcommittee by e-mail shortly. As decided at its April 2011 meeting, all Board members will be asked to consider out of session the draft submissions for final approval after the Board considers any sweep issues at its June meeting.

Attachments

The attached draft AASB submissions on Phase 1 and 2, and the draft AASB submission on Phase 3 to follow by email, are provided only as background to any sweep issues raised. Drafting issues will not be discussed at the Board meeting.

Agenda Papers	Title
13.2	Draft AASB Submission on IPSASB Conceptual Framework Exposure Draft 1 <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity</i>
13.3	Draft AASB Submission on IPSASB Consultation Paper <i>Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Elements and Recognition in Financial Statements</i>
13.4	NSW Treasury Comment Letters on three IPSASB consultation documents

- * Copies of the IPSASB consultative documents were included in the agenda papers for the Boards' joint meeting in March 2011. If Board members need a copy, please contact Mischa Ginns at mginns@aab.gov.au.

Extract from David Maxwell's email

"I am concerned by the following paragraph from the Phase 1 exposure draft:

1.6 GPFRs of public sector entities include, but are more comprehensive than, financial statements including their notes. They can report information about the past, present, and the future that is useful to users—including financial and ***non-financial quantitative and qualitative information about the achievement of financial and service delivery objectives in the current reporting period, and anticipated future service delivery activities and resource needs***. GPFRs are likely to comprise multiple reports, each responding more directly to certain aspects of the objectives of financial reporting and matters included within the scope of financial reporting. The format of presentation adopted by GPFRs will also respond to, and be influenced by matters included within, the scope of financial reporting.

I far prefer the IASB approach of including this type of information in *Management Commentary*, and restricting the annual financial reports to factual financial information about the past and present. Limiting the reports subject to accounting standards minimises the amount of "political spin" that can be applied. Inclusion of extraneous information and future projections will open it up to the spin doctors – as it is now – and the types of interpretations that they will put on any accounting standards will leave Enron for dead."