



To:	AASB members	Date:	5 February 2013
From:	Lisa Panetta and Robert Keys	Agenda Item:	12.1
Subject:	Comments on fatal flaw review draft standards relating to budgetary reporting	File:	

Action

Consider staff's suggestions for addressing the comments received on the fatal flaw draft standards relating to budgetary reporting, and provide staff with directions for finalising those standards.

Attachments

Agenda paper 12.2: AASB staff analysis of comments received on the fatal flaw review draft of AASB 105X *Budgetary Reporting*

Agenda paper 12.3: Fatal Flaw Review Draft AASB 105X *Budgetary Reporting*, marked-up to reflect staff suggestions for addressing comments received. (Note: we have not provided you with a copy of Fatal Flaw Draft of AASB 2012-XX *Amendments to AASB 1049 – Relocation of budgetary Reporting Requirements* because there were no comments received on it)

Agenda paper 12.4: Extract from Approved AASB Minutes July 2012 (for information only)

Agenda paper 12.5: Extract from Draft AASB Minutes December 2012 (for information only)

Agenda paper 12.6: Submission 1: ACAG

Agenda paper 12.7: Submission 2: CPAA and ICAA

Overview

The comments received on the fatal flaw draft give rise to the following staff suggestions for improving draft AASB 105X:

- (a) make amendments to avoid the implication that whole of governments (WoGs) and GGSs have the option of presenting the statement of profit or loss and other comprehensive income as two separate statements;
- (b) make amendments to clarify that the presentation and classification adopted in the financial statements should comply with accounting standards;
- (c) make amendments to clarify that the references to administered items are not pertinent to WoGs/GGSs;
- (d) retain, with slight amendment, the clarification about explanations of variances relating to revised budgets;

- (e) retain the clarification relating to budgetary disclosures not being required in relation to summarised information, with some amendments to further clarify the nature of that ‘relief’;
- (f) make amendments to acknowledge that although there might be no formal requirements in some jurisdictions for budgets to be presented to parliament, there might be conventions; and
- (g) retain the comment in the Basis for Conclusions that the principles in the Standard could be applied in circumstances not specifically addressed in the Standard (such as a restructure of administrative arrangements), with some editorial amendments to clarify the comment.

The staff suggestions are discussed further in agenda paper 12.2. Subject to Board member comments on our suggestions, we think the draft Standard (see agenda paper 12.3 – marked-up to reflect the above staff views) is ready, subject to final quality control checks, to be circulated to Board members as a ballot draft shortly after the forthcoming meeting.

Background

Following review of comments on ED 212 *Not-for-Profit Entities within the General Government Sector*, the Board decided to develop a separate topic-based Standard that would require not-for-profit entities within the GGS applying Tier 1 reporting requirements to disclose:

- Original budgeted financial statements in relation to controlled items, where such statements are presented to parliament, recast if necessary to align with the presentation and classification adopted in the financial statements; and
- Original budgeted information about administered items, where such information is presented to parliament, recast if necessary to align with the presentation and classification adopted in the financial report for the information about administered items disclosed in accordance with AASB 1050 *Administered Items*.

Explanations of major variances would also be required.

Furthermore, the Board decided to relocate the budgetary reporting requirements currently in AASB 1049 *Whole of Government and General Government Sector Financial Reporting* into the separate topic-based standard – effected through AASB 201X-XX *Amendments to AASB 1049–Relocation of Budgetary Reporting Requirements*.

Further details of the Board’s considerations in relation to budgetary reporting requirements are summarised in the Extract of Approved AASB Minutes July 2012 (see agenda paper 12.4) and Extract of Draft AASB Minutes December 2012 (see agenda paper 12.5).

As a result of these Board decisions, two fatal flaw review draft Standards (AASB 105X and AASB 2012-XX) were posted on the AASB website for comment by 31 January 2013. Only two formal comment letters have been received on AASB 105X. In addition, comments were received from a Board member who was an apology for the December 2012 meeting and had not expressed his views on the fatal flaw draft prior to it being posted on the AASB website.

The comments are summarised in agenda paper 12.2, together with a staff analysis and suggestions for dealing with the comments. The comments we think are the most significant, and therefore the ones we suggest are the focus of discussion at the forthcoming meeting, are designated with asterisks (***) . If you have comments on any of the other issues or specific drafting comments, they can be provided to us out of session to lpanetta@asb.gov.au.