



Memorandum

To:	AASB Members	Date:	1 September 2014
From:	Evelyn Ling	Agenda Item:	16.6 (M140) (Tabled)
Subject:	Feedback on Agenda Paper 16.2	File:	

Action

Receive an update on correspondence received in response to Agenda Paper 16.2 “Issues Paper: AASB 13 *Fair Value Measurement* Disclosures for Not-for-Profit Entities – Implementation Issues”.

Attachments

Agenda Paper 16.6.1 Correspondence dated 1 September 2014 from NSW Local Councils

Overview

Attention was drawn to Agenda Paper 16.2 in the LG Solutions¹ newsletter “Debits & Credits” (issued 1 September 2014). Subscribers (in general, local councils) were encouraged to write to the AASB to communicate their concerns with AASB 13.

At the time of writing this memorandum, formal submissions (see Agenda Paper 16.6.1) have since been received from:

- 1 Port Stephens Council, NSW;
- 2 Clarence Valley Council, NSW;
- 3 Dungog Shire Council, NSW;
- 4 Gary Mills;
- 5 Greater Hume Shire Council, NSW;
- 6 Kiama Municipal Council, NSW;
- 7 Manly Council, NSW;

¹ <http://www.lgsolutions.net.au/index.php/home.html>

- 8 Marrickville Council, NSW;
- 9 Nambucca Shire Council, NSW;
- 10 Wagga Wagga City Council, NSW; and
- 11 Willoughby City Council, NSW.

The submissions:

- (a) concur with the disclosure concerns noted in Agenda Paper 16.2;
- (b) concur with the staff recommendation in Agenda Paper 16.2 for the Board to continue to monitor whether not-for-profit public sector entities face significant practical implementation issues in applying AASB 13, and reassess the application of AASB 13 to not-for-profit entities;
- (c) note that it is very timely to review and monitor the impact of implementing AASB 13 and ascertain the continuing rationale for not modifying AASB 13 for application by not-for-profit entities (in particular, local governments).

In particular, from a cost/benefits perspective, the submissions:

- (a) question the time, effort and cost surrounding the full disclosure requirements of AASB 13 as they relate to local councils, given the primarily specialised and (not-for-sale) non-financial non-current assets that make up a council's statement of financial position;
- (b) question whether the AASB 13 disclosures provide 'value for money' for ratepayers and the best use of council staff resources and funds. Submitters noted that while disclosures of fair value measurement information for for-profit entities greatly assist a user's (including a potential investor) understanding of how fair values disclosed in the financial statements are determined, the value of that information to users of local government general purpose financial statements is questionable. Similarly, a submitter queried who the users of the AASB 13 disclosures would actually be;
- (c) question whether the extra pages of disclosures necessary to comply fully with AASB 13 would detract from the usefulness and understandability of a council's financial statements;
- (d) are concerned that the resulting size and increasingly complicated and overly technical scope of the financial report would affect a user's desirability to fully read or understand a council's financial statements (and thereby further minimise the group of users who use local government financial statements);

Staff have also received similar informal feedback from several other constituents who have involvement with local government financial reporting since Agenda Paper 16.2 was made available on the AASB website.

Staff will provide a verbal update to the Board if any further submissions are received prior to the Board meeting.