

**GAAP/GFS Harmonisation for Not-for-Profit Entities within the GGS**  
*Issues Paper: Comparison of Administered Items Disclosure Requirements in AASB 1050 and Draft ED XXX*

**1. Introduction**

Draft ED XXX *Not-for-Profit Entities within the General Government Sector* proposes separate disclosure of both controlled items and administered items, presented using GAAP/GFS harmonised classification principles (including the distinction between transactions and other economic flows and the disclosure of the net operating balance). As such, there is significant overlap between this proposal and the requirements of AASB 1050 *Administered Items*. We note that the Board's work program includes the multi-phased project Control in the Not-for-Profit Public and Private Sectors, which is expected in due course to include a fundamental review of the requirements in AASB 1050. For now, we are merely seeking to bring to your attention the implications of the Board's decision to retain AASB 1050 in addition to specifying administered items disclosure requirements in ED XXX, and to seek your agreement that the manner in which we have implemented the Board's decision is appropriate.

**2. Purpose of this Paper**

This paper aims to identify the extent of the overlap between the proposed requirements for disclosure of administered items in draft ED XXX and the requirements in AASB 1050. The findings provide a basis for the approach adopted in draft ED XXX. The staff views reflected in this paper are incorporated into ED XXX.

**3. Comparison of draft ED XXX and AASB 1050**

The table in Appendix A of this paper outlines all of the requirements in AASB 1050 and the extent to which they overlap with the proposals in draft ED XXX. As can be seen from the Appendix, there is significant overlap between the requirements. Relevant issues from the Appendix are detailed below.

**3.1 Requirements in draft ED XXX that exceed those in AASB 1050**

AASB 1050 only applies to government departments [whether Tier 1 or Tier 2] (paragraph 2), whereas draft ED XXX would apply to all not-for-profit entities within the GGS (paragraph 2) [subject to the Board's Reduced Disclosure Regime decisions that are yet to be made].

The Basis for Conclusions to AASB 1050 states that the Board concluded that it is appropriate to limit the application of that Standard to government departments because extending the application of the requirements as part of the then review of AAS 29 *Financial Reporting by Government Departments* would delay that short-term project and impinge on the issues to be addressed in the longer term. At the time of issuing AASB 1050, the Board noted that, as a part of the Board's fundamental longer-term review of the requirements in AAS 29, consideration would be given to the different treatments available that would result in administered items being given more prominence and disclosed in more detail in the general purpose financial statements of government departments and other entities.

*Staff View*

The scope of AASB 1050 should not be expanded to encompass all not-for-profit GGS entities at this time as such a scope expansion is outside the scope of the GAAP/GFS harmonisation project because it is within the scope of the separate longer-term project on control.

**3.2 Requirements in AASB 1050 that exceed those in ED XXX**

**(a) Disaggregation of Administered Items by Class**

Both draft ED XXX and AASB 1050 require the disclosure of administered income, expenses, assets and liabilities (paragraph 12 of draft ED XXX and paragraph 7 of AASB 1050) by each major class. However, as the classification of controlled items might drive the format of the information presented under ED XXX (rather than classes of administered items under AASB 1050), it is conceivable that the disclosure by class under ED XXX would not meet the requirements under AASB 1050.

*Staff View*

Due to the broad overlap of the disclosures required by paragraph 7 of AASB 1050 and paragraph 12 of ED XXX (being the disclosure of items of administered income, expenses, assets and liabilities), in addition of paragraph 17 of draft ED XXX, we suggest that a paragraph could be included in AASB 1050 acknowledging that the information required by ED XXX may fulfil some of the requirements of the Standard. This paragraph could potentially be along the lines of:

“Where disclosures made as part of the requirements of AASB XXX *Not-for-Profit Entities within the General Government Sector* meet the requirements of this Standard (in particular paragraph 7) it is not necessary to provide separate additional disclosure of that same information under this Standard.”

**(b) Disaggregation of Administered Items by Activity**

Unlike ED XXX, paragraph 7 of AASB 1050 requires, in respect of each major class of income or expense, disclosure of the amounts reliably attributable to each of the government department’s activities and the amounts not attributable to activities.

*Staff View*

We do not suggest that this requirement is replicated in ED XXX as such a requirement is beyond the scope of the GAAP/GFS harmonisation project because it is within the scope of the Board’s separate, longer-term, high priority Disaggregated Disclosures project.

**(c) Disclosure of Information about Recipients of Administered Items**

Unlike ED XXX, AASB 1050 requires disclosure of details of the broad categories of recipients of administered items and the amounts transferred to those recipients (paragraph 22).

*Staff View*

We do not suggest that this requirement is replicated in ED XXX as such a requirement is beyond the scope of the GAAP/GFS harmonisation project because it is within the scope of the Board’s separate longer-term project on control.

Appendix A

Analysis of AASB 1050 Administered Items in the context of the GAAP/GFS harmonisation information

Table Legend

	Principle in AASB 1050 behind administered items – which paragraphs 17 and 18 of ED XXX cross-reference to
	Background to AASB 1050 – not relevant to ED XXX
XXX	Shaded words indicate requirement of AASB 1050 that is not addressed in ED XXX
XXX	

Para No	AASB 1050 Requirement	ED XXX Proposal	AASB Staff Comment
1	The objective of this Standard is to specify requirements for government departments relating to administered items. Disclosures made in accordance with this Standard provide users with information relevant to assessing the performance of a government department, including accountability for resources entrusted to it.	ED XXX specifies its own objective – which is more general than that of AASB 1050.	n/a
2	This Standard applies to general purpose financial statements of government departments.	The ED has a broader scope, being not-for-profit entities within the GGS	Requirements in AASB 1050 that go beyond the proposals in ED XXX would only apply to government departments.
3-6	Application ...	Not pertinent in the context of this analysis.	n/a
7	A government department shall disclose the following in its complete set of financial statements in relation to activities administered by the government department: (a) administered income, showing separately: (i) each major class of income; and (ii) in respect of each major class of income, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities; (b) administered expenses, showing separately: (i) each major class of expense; and (ii) in respect of each major class of expense, the amounts reliably attributable to each of the government department's activities and the amounts not attributable to activities; (c) administered assets, showing separately each major class of asset; and (d) administered liabilities, showing separately each major class of liability.	In relation to the 'major class' requirements, ED XXX proposals do not explicitly refer to classes of administered items (or control items) effectively leaving it to the principles in AASB 101 to apply.  ED XXX does not propose to require disclosure of administered income and expenses attributable to the entity's activities.	Although, major classes of administered items would be required to be disclosed by ED XXX, these classes might be based on the major classes of controlled items and therefore they may not correspond to those required by AASB 1050.
8	AASB 1052 specifies requirements for the disclosure of income and expenses attributable to a government department's activities. The principles in that Standard are applied in disclosing administered income and expenses reliably attributable to activities in accordance with paragraphs 7(a)(ii) and 7(b)(ii) of this Standard.	ED XXX does not propose to require disclosure of administered income and expenses related to the entity's activities.	

<b>Para No</b>	<b>AASB 1050 Requirement</b>	<b>ED XXX Proposal</b>	<b>AASB Staff Comment</b>
9	A government department's operating statement only recognises income and expenses of the government department. Similarly, a government department's statement of financial position only recognises assets that the government department controls and liabilities that involve a future sacrifice of the government department's assets.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
10	Items recognised in the statement of financial position include the assets and liabilities of the trusts that the government department controls and from whose activities the government department obtains benefits.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
11	The responsibilities of a government department may encompass the levying or collection of taxes, fines and fees, the provision of goods and services at a charge to recipients, and the transfer of funds to eligible beneficiaries. These activities may give rise to income and expenses that are not attributable to the government department. This occurs, for example, where the government department is unable to use for its own purposes the proceeds of user charges, taxes, fines and fees it collects without further authorisation, or where the transfer of funds to eligible beneficiaries does not involve a reduction in the assets recognised in the government department's statement of financial position. In addition, the government department may manage government assets in the capacity of an agent and may incur liabilities that, for example, while involving a future disbursement from the Consolidated Revenue Fund or other Fund will not involve a sacrifice of the assets that the government department controls as at the end of the reporting period. This administered income and these administered expenses, assets and liabilities are not recognised in the government department's operating statement or statement of financial position.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
12	A government department's ability to control all, or a portion of, the proceeds of the user charges, fines and fees it levies may be subject to complex arrangements. Consistent with those arrangements, where a government department does not control any of the proceeds of the user charges, fines and fees that it levies, it does not recognise any of the proceeds of those user charges, fines and fees as income. Similarly, where, as a result of automatic appropriations or other authority, a government department controls some but not all of the proceeds of user charges, fines and fees, the department recognises as income only those amounts that it controls.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
13	If taxes, fines, fees and other amounts that are not controlled by a government department were to be recognised as assets or income by the collecting government department, users could incorrectly assume that these amounts were available for the government department's use.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	

Para No	AASB 1050 Requirement	ED XXX Proposal	AASB Staff Comment
14	The tax revenues, user charges, fines and fees administered by a government department and the amount of funds transferred to eligible beneficiaries are an important indicator of the government department's performance in achieving its objectives. Therefore, paragraph 7 requires disclosure of income and expenses administered by a government department that are not recognised in the government department's operating statement. Disclosure of this information by major class and by activity facilitates an assessment of activity costs and cost recoveries, and is therefore relevant to parliamentary decision making and enhances the discharge of accountability obligations. Even though a government department does not control such items, the effective and efficient administration of these items is an important role of the government department.	ED XXX effectively incorporates this guidance (except in relation to the reference to 'by activity') by cross-referencing to AASB 1050.	
15	It is unlikely that taxes, for example, income tax, will qualify as income of the agency responsible for their collection, for example, the Australian Taxation Office, or the central agency responsible for management of the Consolidated Revenue Fund, Trust Fund or other Fund, for example, Treasury. This is because the agency responsible for collecting taxes does not normally control the future economic benefits embodied in tax collections. Similarly, Treasury may be responsible for bank accounts into which tax collections are deposited, but until parliament has 'appropriated funds' for Treasury use or authorised the Treasury to make payments, the Treasury will not control those tax revenues.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
16	Parliamentary appropriations made to enable the tax collection agency to perform its services are income of that agency. This is because the agency has the authority to deploy the appropriated funds for the achievement of its objectives and, consequently, controls the assets arising from the appropriation.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
17	A government department does not recognise as income and expenses those amounts that the government department is responsible for transferring to eligible beneficiaries, consistent with legislation or other authority, but that the government department does not control. If these amounts were recognised as income on receipt by the government department and as expenses on payment by the government department, users could incorrectly assume that the government department controlled these amounts. Nevertheless, this Standard requires such amounts to be disclosed in the complete set of financial statements because that information may be relevant for understanding the government department's financial performance, including assessments of accountability. Even though a government department does not control such items, their effective and efficient administration is an important role of the government department.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
18	Consistent with a government department's objectives and with legislation or other authority, amounts appropriated to government departments may include amounts to be transferred to third parties or recoupment of such amounts previously transferred by the government department. Such transfers may encompass payments for unemployment benefits, family	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	

Para No	AASB 1050 Requirement	ED XXX Proposal	AASB Staff Comment
	allowances, age and invalid pensions, disaster relief, and grants and subsidies made to other governments or to other government or private sector entities.		
19	Whether a government department recognises the amounts appropriated for transfer during the reporting period as income, and the amounts transferred during that reporting period as expenses, depends on whether the government department controls the assets to be transferred, and whether the amounts subsequently transferred constitute a reduction in the net assets of the government department.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
20	Where amounts are transferred to eligible beneficiaries and the identity of the beneficiaries and the amounts to be transferred to them are determined by reference to legislation or other authority, it is unlikely that the government department controls the funds to be transferred. The government department is merely the agent responsible for the administration of the transfer process. As such, the government department does not benefit from the assets held for transfer, nor does it have the capacity to deny or regulate the access of eligible beneficiaries to the assets. Accordingly, the government department does not recognise assets and income in respect of amounts appropriated for transfer, nor expenses in respect of the amounts subsequently transferred.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
21	Although transfers not controlled by a government department do not qualify for recognition in the financial statements, information about their nature and amount is relevant for understanding the government department's financial performance.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
22	Details of the broad categories of recipients and the amounts transferred to those recipients shall be disclosed in the government department's complete set of financial statements.	ED XXX does not propose requiring disclosure of the recipients of administered income and expenses.	
23	In some cases it may not be clear whether the government department controls amounts to be transferred to eligible beneficiaries. For example, amounts may be appropriated to a government department for subsequent transfer, but the government department can exercise significant discretion in determining the amount or timing of payment, the identity of beneficiaries and the conditions under which the payments are to be made. In such cases, preparers and auditors use their judgement in deciding whether the government department controls the amounts to be transferred.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050.	
24	To facilitate the assessment of the costs incurred and the cost recoveries generated as a result of the government department's activities, administered income, expenses, assets and liabilities are reported on the same basis adopted for the recognition of the elements of the financial statements.	ED XXX effectively incorporates this guidance by cross-referencing to AASB 1050. See also paragraph 18 of ED XXX.	

<b>Para No</b>	<b>AASB 1050 Requirement</b>	<b>ED XXX Proposal</b>	<b>AASB Staff Comment</b>
25	The manner in which administered transactions are displayed in the financial statements of a government department will depend on the administrative arrangements adopted by the controlling government, and may therefore vary from jurisdiction to jurisdiction. For example, in some jurisdictions it may be appropriate for administered transactions to be displayed as a separate schedule to the operating statement and/or the statement of financial position. In other jurisdictions, a government department's accountability for administered transactions may mean that it is appropriate for administered transactions to be displayed with, but clearly distinguishable from, the government department's operating statement and/or statement of financial position.	ED XXX proposes to require that administered items are disclosed with, but separate from, controlled items – consistent with the last sentence of paragraph 25 of AASB 1050.	