

EXTRACT FROM MINUTES: AASB 8-9 SEPTEMBER 2005 MEETING

FUTURE APPROACH TO PUBLIC SECTOR STANDARDS

Agenda item 9

The Board had before it:

- (a) a memorandum from Robert Keys dated 25 August 2005 (Agenda paper 9.1); and
- (b) a draft AASB Strategy Paper “Australian Accounting Standards and Public Sector Entities” (Agenda paper 9.2).

The Board confirmed decisions made at its July 2005 meeting that it is timely to propose the withdrawal of AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments* and AAS 31 *Financial Reporting by Governments*. Prior to implementing this decision, the Board noted the importance of communicating with and engaging constituents (including representatives from HoTARAC, ACAG, ACPAC and NLGFMF).

The Board decided to amend the draft Strategy Paper to more clearly distinguish between:

- (a) the principles to be followed and the actions to be taken; and
- (b) the withdrawal of AAS 27, AAS 29 and AAS 31 and the consequences of amending other Standards; and the subsequent ongoing strategy for dealing with public sector issues.

The Board decided that the amended Strategy Paper be provided to Board members for out-of-session comment prior to using it as a basis for communication with constituents.

The Board’s detailed drafting decisions are included in Attachment A.

Action:

Staff
Members

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In relation to drafting the Strategy Paper the Board decided:

- (a) Background, page 1, last paragraph: amend the lead-in to read “...This paper outlines a strategy for the AASB to withdraw AASs 27, 29 and 31 by 30 June 2006 and an ongoing strategy for dealing with public sector issues”;
- (b) Principles, page 2: give greater prominence to the principle that, where relevant, material contained in AAS 27, AAS 29 and AAS 31 will be retained in topic-based Standards to coincide with the withdrawal of AAS 27, AAS 29 and AAS 31 (see also decision (f) below);
- (c) Principles, page 2: add GAAP/GFS convergence to the example in principle (c), and consequently delete principle (i);
- (d) Principles, page 2: merge principles (e), (f) & (h) into one principle along the following lines: “*Reference to other Standard setting bodies:* Where relevant, seek consistency with IFRSs, New Zealand and IPSASB”;

- (e) Principles, page 2: delete principle (g) – rather than minimise the use of Aus paragraphs, the Board noted that it will use Aus paragraphs where appropriate. It is not necessary to express this as a principle;
- (f) Principles, page 3: consistent with decision (b) above, combine and condense principles (j) & (k) along the following lines:
- “Issues associated with removal of AAS 27, AAS 29 and AAS 31:*
- (i) *Definition, recognition and measurement:*
Where not-for-profit public sector specific guidance on definition, recognition and measurement issues is needed and addressed in AAS 27, AAS 29 and/or AAS 31, it should be retained/amended and incorporated into other Standards to coincide with the withdrawal of AAS 27, AAS 29 & AAS 31.
- (ii) *Disclosure:*
Where not-for-profit public sector specific guidance on disclosure issues is needed and addressed in AASs 27, 29 &/or 31, it should be retained/amended and incorporated into other Standards in due course. It is not necessary for the issue of guidance in other Standards to coincide with the withdrawal of AAS 27, AAS 29 and AAS 31 – it can be developed later. A consequence of this is that there would be no explicit disclosure requirements specified in the intervening period.”;
- (g) Actions, pages 4 to 6: to amend this section to more clearly distinguish between actions relating to/coinciding with the withdrawal of AAS 27, AAS 29 and AAS 31 and actions relating to the subsequent ongoing strategy and to include a description of the actions to be taken in relation to:
- communication with constituents;
 - establishment and use of expert groups to assist in progressing particular technical issues identified in the strategy;
 - the guidance in AAS 27, AAS 29 and AAS 31 on the identification of reporting entities in the public sector; and
 - the guidance in AAS 29 on the net cost of services format of the income statement;
- (h) Actions, page 5: action (h) relating to heritage assets should include consideration of an issues paper rather than merely monitoring the IPSASB project; and
- (i) Timetable, pages 7 & 8: to amend this section to more clearly distinguish between the withdrawal of AAS 27, AAS 29 and AAS 31 and the relocation of material from AAS 27, AAS 29 and AAS 31 into other standards to coincide with withdrawal.