



## Memorandum

<b>To:</b>	<b>Board members</b>	<b>Date:</b>	13 October 2010
<b>From:</b>	<b>Project team<sup>1</sup></b>	<b>Agenda Item:</b>	B12.1
<b>Subject:</b>	<b>Control in the public sector</b>	<b>File:</b>	

### Action

- Note progress to date on the Boards' project: 'Defining the Reporting Entity in the Public Sector (including consideration of the concept of control)'.
- Review the updated project plan, including its scope, approach and timing (see Appendix 2 of agenda paper B12.3) – and confirm whether the project should continue as planned (which is one of the main issues addressed in agenda paper B12.2).
- Consider a process for addressing the public sector issues that might arise from the likely revised IASB definition of control, particularly in light of the pace at which the IASB is expected to progress its work on replacing IAS 27 *Consolidated and Separate Financial Statements* relative to the timing of the AASB/FRSB project. Alternative processes and project team views are noted in agenda paper B12.2.
- Assuming that the AASB/FRSB project as originally envisaged is to continue, identify any additional conceptual and interpretation/practice issues associated with the application of control in the public sector that have not been identified in agenda paper B12.3. (Any other comments on the paper, such as drafting suggestions, can be provided to us out-of-session).

### Background

The background to this project is provided in Appendix 1 of agenda paper B12.3, and is therefore not repeated in this memorandum.

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1 Project team: Bryan Howieson (The University of Adelaide), Siva Sivanantham & Robert Keys (AASB staff); and Vanessa Sealy-Fisher (NZ FRSB staff).

To date we have made substantial progress in relation to Part 1 of Phase 1 of the project. This is reflected in agenda paper B12.3 (prepared by Associate Professor Bryan Howieson), which identifies issues associated with the application of control. The executive summary of the paper provides a list of the conceptual and interpretation/practice issues that have been identified as a result of a literature review and interviews with practitioners.

Some comments from some sub-committee members have cast significant doubt on whether we should continue to develop the paper, because of questions about the merits of continuing with a long-term, broadly-scoped, conceptually-dependent project. Accordingly, we have not incorporated sub-committee members' suggestions for improving the paper into agenda paper B12.3 – instead we have provided a summary of suggestions in Appendix 4 of the paper. We will undertake further work on agenda paper B12.3 if, after considering the issues raised in agenda paper B12.2, the Boards direct us to do so.

Agenda paper B12.2 has been prepared based on sub-committee members' comments that question the scope and nature of the project, particularly in light of the likely timing of the IASB Consolidation project. We intend that the Boards initially focus their discussions at the forthcoming meeting on the issues raised in agenda paper B12.2.

## Attachments

- Agenda paper B12.2: an issues paper regarding the future of the AASB/FRSB project, particularly in light of the IASB's imminent amendment to the definition of control
- Agenda paper B12.3: working draft of a paper relating to Part 1 of Phase 1 of the Project: Identification of Issues Associated with the Application of Control
- Agenda paper B12.4: IASB staff draft IFRS X *Consolidated Financial Statements* [for your information – please note that it includes the following 'health warning' on page 2: "The following materials are drafts and may be subject to revision or change before formal issue."]