



To:	AASB members	Date:	31 August 2011
From:	Clark Anstis	Agenda Item:	15.1
Subject:	NFP Public Sector Reporting -- gaps in GAAP	File:	--

Action

Consider the Board's strategy and priorities in respect of issues of particular relevance to not-for-profit public sector entities.

In particular, does the Board wish to consider changing its priorities in any way in response to the priorities identified by the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)?

Related Agenda Papers

- 3.1 Letter dated 28 July 2011 from Grant Hehir, Chair of HoTARAC, regarding priority public sector accounting issues 2011-2013, and a response from the AASB Chair, dated 5 August 2011; and
- 3.2.2 Detailed AASB work program (August 2011).

Overview

The HoTARAC letter identifies three high-priority issues and then another seven important issues. The letter implies that the areas should be actively addressed (although not necessarily finalised) in the period 2011-2013.

The AASB's response identifies what the AASB is doing, or may do, in relation to some of the issues, and seeks further information about others where the nature of the issue is not clear from the HoTARAC letter.

A reply from HoTARAC with further information about the relevant topics has not yet been received.

Background

The following table identifies the issues raised and some relevant information about them from the AASB's existing work program and other sources.

Memorandum

<i>Issue</i>	<i>AASB work program</i>	<i>Timing</i>	<i>Other comments</i>
Highest Priorities for HoTARAC			
Entities within the GGS	Item 2, Table 1 (Active Projects) – ED 212 still open for comment	Standard expected Q4, 2011	
Control in the public sector	Item 4, Table 1 – project in progress	ED planned by end of 2011	
Non-exchange income	Item 5, Table 1 – project in progress	ED planned by end of 2011	See agenda item 7 for this meeting
Other Primary Issues for HoTARAC			
Service concession arrangements – grantor	Item 35, Table 1 – monitoring IPSASB work with a view to using its Standard as a basis for developing AASB requirements	It seems likely that there will be considerable activity on this topic in the period to 2013, including a possible IPSASB re-exposure and AASB exposure process, with a Standard unlikely to be made by the AASB until 2013	See agenda item 16
Borrowing costs	Item 6, Table 1 – the AASB plans an ED based on considering the requirements of AASB 123 (in particular re removing the expense option) in the context of the <i>Process for Modifying IFRSs for PBE/NFP</i>	ED, H1 2012	Identified as a medium-priority project on AASB work program
Accounting for environmental issues	Item 8, Table 1 – emission trading schemes under research	To be determined	The scope of the issues raised by HoTARAC requires clarification
SMEs requirements for the public sector	Item 10, Table 1 – there should be outputs from the research project in the coming months, but it is not yet clear how this might assist in a particular public sector context	To be determined	Tier 2 is available for use by all not-for-profit public sector entities, other than Australian governments and local governments
Fair value measurement, long-term	The issues may be affected by current work on financial	To be determined	Issues around ‘public policy loans’ or ‘concessional loans’

Memorandum

<i>Issue</i>	<i>AASB work program</i>	<i>Timing</i>	<i>Other comments</i>
financial liabilities and provisions using risk-free discount rates	instruments or on the AOSSG research project on Present Value of Future Cash Flows (Discounting).		have been raised in the past, and the AASB decided that no special treatment or guidance was needed. Also see agenda item 18 (AOSSG discounting project) and agenda items 3.5 and 3.6 (correspondence with NSW Treasury on discounting of long-term employee liabilities)
Review and assessment of IPSASs	An over-arching role of the AASB is to monitor and consider IPSASB work	Ongoing – in relation to individual topics	
Disaggregated disclosures	Item 2, Table 2 (Non-active Projects) – issues paper identified as first step	Some work on this topic is likely in the period to 2013, but depends on a number of other projects due to limited resources and other priorities	Projects on Control in the Public Sector and Performance Reporting are also relevant to the issue

General staff comments

Subject to seeking some clarification from HoTARAC, based on the above table there appears to be a reasonably high level of alignment between HoTARAC's priorities and the AASB's current work program.

Staff consider it essential that we seek to have HoTARAC clearly identify:

- the nature of each issue so that the AASB can appropriately target its work, including identifying existing projects that are most suited to dealing with the issues;
- the likely nature of ongoing input that could be provided by HoTARAC to help progress the relevant projects; and
- expectations around the timing of work.

Although the August 2011 symposiums were a useful means of communication between the AASB and its public sector and other not-for-profit entity constituents, they were not an appropriate forum for detailed discussions about particular topics.

The AASB Chair's reply to the HoTARAC letter notes that we would be happy to meet and discuss the issues.

Memorandum

Staff suggest that the AASB arranges to meet with relevant HoTARAC representatives. Staff further suggest that we seek to have a good spread of jurisdictions represented at that meeting by aligning it with a HoTARAC meeting or employing videoconferencing. The meeting should be held before the end of this year.

Similar arrangements could be made with the Financial Reporting committee of the Australasian Council of Auditors-General (ACAG) and other key constituents with a keen interest in public sector accounting and reporting.