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20 October 2005

Dear David

Exposure Draft 142 Financial Reporting of General Government Sectors by Governments

We write in response to the request for comments contained in the July 2005 Australian Accounting Standards Board (AASB) "Exposure Draft 142: Financial Reporting of General Government Sectors by Governments (ED 142)".

PricewaterhouseCoopers does not provide assurance on whole of government consolidated financial reports in Australia. This role is reserved for the State and Federal Auditors-General through legislation in the relevant jurisdictions.

We do not consider it appropriate for us to respond to the specific matters for comment contained in ED 142 due to our lack of involvement in whole of government financial reporting.

However, we do wish to register our concern that ED 142 moves the AASB away from its previously stated objective of issuing sector neutral Australian Equivalents to International Financial Reporting Standards. This objective of sector neutrality seems to be consistent with the work of the International Public Sector Accounting Standards Board (IPSASB). IPSASB recently issued exposure drafts containing proposals for the convergence of the International Public Sector Accounting Standards with International Financial Reporting Standards.

We are also concerned that ED 142 addresses what we consider is financial reporting for a non-reporting entity – the General Government Sector (GGS). The principal entities dependent on information relating to GGS are statistical agencies such as the Australian Bureau of Statistics (ABS), which we understand currently command the preparation of reports tailored to satisfy their information needs.

ED 142 is proposing to designate the GGS of a government a reporting entity that is required to prepare general purpose financial reports. We are concerned by the proposal to label these financial reports as general purpose. This suggests they have been prepared in accordance with the accounting standards and the Framework for the Preparation and Presentation of Financial Statements applied by other Australian entities. We believe the proposed departure from the requirement to consolidate all controlled entities is a significant departure from the rules users would normally expect to be applied when preparing general financial reports.

We also note the proposal to require the preparation of general purpose financial reports for GGS is a significant divergence from the approach proposed by IPSASB in Exposure Draft 28 *Disclosure of Financial Information about the General Government Sector* (ED 28) released in September 2005. ED 28 proposes to prescribe the basis on which information about the GGS should be disclosed in the general purpose financial statements of a government that elects to make such disclosures.

We question whether it is appropriate for the AASB to consider mandating the preparation of general purpose financial reports for Australian GGSs if this will not be mandated under international requirements. The AASB's broad strategic direction to implement GAAP/GFS convergence requires it to have regard to international activities, including the work undertaken by the IPSASB.

We would welcome the opportunity to discuss our views at your convenience. Please contact me on (03) 8603 3868 or Sue Whitechurch on (02) 8266 7443 if you would like to discuss this further.

Yours sincerely



Jan McCahey
Partner
Assurance