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Dr David Boymal
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007
AUSTRALIA

Dear Dr Boymal

ED 163 – PROPOSED AMENDMENTS TO AASB 1049 FOR CONSISTENCY WITH AASB 101

Australian members of the Australasian Council of Auditors-General (ACAG) have been canvassed and submit the attachment in response to the Exposure Draft referred to above.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely



Frank McGuinness
Chairman
ACAG Financial Reporting and Auditing Committee

ED 163 – PROPOSED AMENDMENTS TO AASB 1049 FOR CONSISTENCY WITH AASB 101

The views expressed below are those of the Australian members of the Australasian Council of Auditors-General (ACAG).

ACAG has reviewed the Exposure Draft and provides both general comments and comments on the specific matters raised.

General Comments

The proposals in ED 163, as a whole, are supported by ACAG. In particular ACAG supports the need for AASB 1049 to be consistent with AASB 101 which ED 163 achieves. ACAG believes, however, that amending AASB 1049 at this time provides the opportunity to deal with two other matters that could enhance this Standard for both users and auditors:

1. Reconsideration of the exemption provided by Aus1.7 in AASB 101 for the Whole of Government general purpose financial statements (WoG financial statements). This exemption, which is black letter, notes:

Notwithstanding paragraphs Aus1.1 and Aus1.6, a not-for-profit entity need not present the disclosures required by paragraphs 134-136.

Paragraphs 134 to 136 requires Part 2M.3 Corporation's Act reporting entities (see exemption for Part 2M.3 non-reporting entities in AASB 101 paragraph Aus1.6) and other for-profit entities to disclose information that enables users of their financial statements to evaluate their objectives, policies and processes for managing capital. The WoG financial statements represent a consolidation of not-for-profit and for-profit entities and these financial statements should be required to include disclosure, at a consolidated level, of the material envisaged by paragraphs 134 to 136 inclusive.

2. Whether or not the GGS financial statements comply with the "fair presentation" framework? Paragraph 8 of ED 163, and therefore paragraph 10 of amended AASB 1049, continues to include the following exemption for preparers of GGS financial statements from AASB 127 –

In particular, in relation to the GGS, in conflict with AASB 127 *Consolidated and Separate Financial Statements*, paragraph 19 prohibits the consolidation of controlled entities in other sectors.

In addition, the amended AASB 1049 leaves unchanged the exemption from complying with AASB 101 paragraph 15.4 in that the GGS financial statements are not required to disclose that they are general purpose or specific purpose financial statements.

ACAG accepts this outcome but considers auditors would benefit from the inclusion of a statement in paragraph 10 as follows (proposal is underlined):

..... In particular, in relation to the GGS, in conflict with AASB 127 *Consolidated and Separate Financial Statements*, paragraph 19

prohibits the consolidation of controlled entities in other sectors. Despite this prohibition, GGS financial statements prepared in accordance with AASB 1049 would give rise to “fair presentation” of the GGS financial statements.

Specific Matters for Comment

(a) The manner in which the AASB proposes to amend AASB 1049 and the accompanying Illustrative Examples is appropriate.

ACAG believes that the proposed amendments to AASB 1049 and the accompanying illustrative examples are appropriate. However, as noted above, the AASB should use this opportunity to clarify the matters noted.

(b) The requirement for whole of government and GGS statements of changes in equity to be prepared with the proposed content is appropriate.

ACAG supports the need for both the WoG and GGS financial statements to include statements of changes in equity as proposed.

(c) It is appropriate not to specify transitional requirements (thus leaving changed accounting policies to be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors)

ACAG agrees that it is appropriate not to specify transitional requirements and that, therefore, AASB 108 applies.

(d) Overall, the proposals would result in financial statements that would be useful to users

ACAG agrees that, overall, the proposals will result in financial statements that will be useful to users.

(e) The proposals are in the best interest of the Australian economy.

ACAG believes that the proposals will result in WofG and GGS financial statements prepared consistent with the AAS, consistent over time and facilitating improved comparability which will benefit assessment by users of the financial performance of governments and that this is in the best interests of the Australian economy.