

From: Andrew Waddington Andrew.Waddington@treasury.nsw.gov.au
To: AASB Mailbox
Subject: ED 212 Submission

The Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West Victoria 8007
AUSTRALIA

Dear Sir,

I am a senior finance manager within the NSW government responsible for the Crown accounts including the Consolidated Fund and the Crown Finance Entity (CPA No 628385). I currently have 12 accounting staff reporting to me with most of my time spent on operational accounting although I do get involved in a significant number of policy issues. I have been reading ED 212 and while I don't normally do this, in this case I feel it necessary to voice my concerns.

I have had several days GFS training with the ABS in Canberra. While this gave me a general introduction to understanding the concepts of GFS it in no way gave me the skills to apply them as an accountant. I still need to frequently get specialist advice on the GFS impacts of transactions. This especially applies to complex transactions and you cannot go to the big accounting firms for this sort of advice. Accountants will probably be required by the Audit Office to have statements that GAAP recognition and measurement policies align with GFS, possibly from the ABS. This will massively increase the burden on the ABS to increase staff at a time the Commonwealth is reducing staff. Has anyone got any confirmation from the Commonwealth that they will resource this initiative? If not how will all the extra advice and training be achieved. Are we just producing a new accounting standard that it will be very difficult to comply with and audit?

The whole purpose of this new standard is flawed as it The ABS has the legislative power to request comparative figures on a GFS basis that are much more detailed than produced in financial statements and can publish these.

Requested Specific Matters For Comment:

(a)

(i) Including for profit entities just makes everything much worse. FP's should produce accounts that are comparable to similar non government entities for comparison purposes. Requiring FP's to have GFS accounting would just increase accounting and audit costs and reduce the pool of accountants available to these entities.

(ii) No Comment

(iii) Governments have this option now. The reason why many don't choose them is because it would result in reports that are less useful for users. For example, most States have large land holdings they obtained at little cost. Under GFS readers would not know the value of these significant assets. The same can be said for many other assets (eg shares). Thus accounts produced under GFS measurement principles can be very misleading to users.

(iv)A I believe the face to face option should not be allowed. The complexity involved gives too much cause for dispute in presentation and would be a management and audit nightmare. Anything that increases audit complexity should be avoided if possible. The audit of the Crown currently stretches from May to the end of October which is why I am only writing this to you now. We currently have as nearly as many auditors as I have qualified accountants checking our work during this period. Adding GFS will only add to audit complexity and mean more auditors. I will have to hire more staff just so my branch doesn't grind to a complete halt.

(iv)B Disclosure at line item level just makes life harder for us and creates more work and will make reports a lot longer.

(v) No comment.

(vi) Thank you for providing the note option. I am unsure about "explanation" of variances. **This looks like we are introducing an audit of our budget result into the accounts.** I understood audit standards prevented this?

(vii) No comment.

(viii) No comment.

(ix) Thank you.

(x) The illustrative examples seem a bit impracticable for NSW. The mean adding an extra 2 columns (current year and comparative) for administered that is currently disclosed in a noted. As most departments only have administered revenue this is more than adequate. Under the ED 212 proposal we will need columns for actual, budget and administered activities for current and comparative. when four figures are in billions and you are forced to report in \$000's this will get very crowded.

(xi) No Comment

(b) See note (iii) above. It would result in reports that are less useful for users. For example, most States have large land holdings they obtained at little cost. Under GFS readers would not know the value of these significant assets. The same can be said for many other assets (eg shares). Thus accounts produced under GFS measurement principles can be very misleading to users.

c) These are not in the best interests of the Australian economy. ED 212 still lets each State decide which budget result to announce on the basis of "whichever is judged to be the more useful for users". It leads to more costs for no result that cannot be achieved more efficiently by the ABS. and it will further split accountants into public and private sector accountants and reduce the benefits of cross fertilisation. It will reduce the ability of accountants in the public sector to spend time providing information to support decisions instead of statistics.

(d) Introducing ED 212 will require substantial policy work, rewriting of internal documentation and retraining in every GG agency. The retraining will not only affect accounts staff but management, valuers and politicians will need to understand the detailed implications. The audit of the Crown currently stretches from May to the end of October which is why I am only writing this to you now. We currently have as nearly as many auditors as I have qualified accountants checking our work during this period. Adding GFS will only add to audit complexity and mean more auditors. I will have to hire more staff just so my branch doesn't grind to a complete halt.

The real question is does many of the readers such as the citizens and financial reporters understand GFS reporting, if not is all this just a massive exercise to keep a small group happy. Couldn't these figures be provided separately at departmental level for each state at much less cost, in most cases working back from the accrual figures or providing disclosure in the relevant notes?

Regards
Andrew Waddington

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