



<b>Project:</b>	<b>Australian Financial Reporting Framework</b>	<b>Meeting</b>	AASB February 2018 (M162)
<b>Topic:</b>	<b>Project Update</b>	<b>Agenda Item:</b>	3.0
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		<b>Decision-Making:</b>	High
		<b>Project Status:</b>	In progress

## Introduction and objective of this meeting

- 1 The objective of this paper is to obtain the Board's views in relation to the following matters:
  - (a) obtain the Board's views on the scoping and staff's approach to the draft AASB Staff Research Report No. X *Financial Reporting requirements for Public Sector entities*;
  - (b) obtain the Board's preliminary view on the scope and staff's approach to the draft Appendices to Discussion Paper – *Possible options for Improving the Financial Reporting Framework for Australian Public Sector Entities*, as listed below;
    - *Appendix A - Definition of a public sector*
    - *Appendix B - What are the issues with the current financial reporting framework for public sector entities*
    - *Appendix C - Factors that could be used to answer the 'who should publicly report' question* - which discusses a broad range of possible principles, criteria, thresholds and ways of operationalising those thresholds that could be combined to answer the 'who' question
    - *Appendix D- Possible types of specified financial statements* – options available to prepare financial statements that could be combined with the factors identified in Appendix C to answer the 'what' question

- *Appendix E - Possible levels of assurance for financial statements* – discusses levels of assurance (audit or review) that might be appropriate for various types of financial statements
- *Appendix F- Impact on the sector* – detailed analytics showing the impact of each threshold on the public sector using financial data obtained from public sector entities

## **Attachments**

- Agenda Paper 3.1 [WORKING DRAFT] AASB Staff Research Report No. X *Financial Reporting requirements for Public Sector entities*;
- Agenda Paper 3.2 [WORKING DRAFT] Appendices to Discussion Paper : *Possible options for Improving the Financial Reporting Framework for Australian Public Sector Entities* [BOARD ONLY];

## **Background**

- 2 The objective of the Reporting Framework project is to clarify and simplify the financial reporting framework, so that more objective criteria are used to determine:
- (a) which entities are required to prepare and lodge general purpose financial statements (GPFSS) publicly;
  - (b) what should be the content of those GPFSSs;
  - (c) the appropriate level of assurance for the financial statements.

To achieve the objectives of the project, staff will work in conjunction with Australian policymakers and regulators.

- 3 At its December 2017 meeting, the Board considered the Australian Financial Reporting Framework project plan and directed staff to draft a report that outlines the reporting requirements of the public sector entities in Australia and other jurisdictions.
- 4 Staff have commenced the financial reporting framework project in relation to Australian public sector entities. Similar to the financial reporting framework for Australian Charities, staff will provide two Papers, a Research Paper on the current reporting requirements for public sector entities and a Discussion Paper on possible options for improving the reporting framework for public sector entities, which will be informed by the findings of the Research Report.

## **Agenda Item 3.1: Draft Research Report**

- 5 The Research Report provides an overview of the financial reporting requirements applicable to Australian public sector entities based on the legislation and other reporting directions and rules applicable to the Commonwealth, State and Territory and local governments.

- 6 The purpose is to understand the financial reporting and assurance requirements applicable to public sector entities and the interactions between the federal/state and territory/local legislation/directions and AASB accounting standards.
- 7 The Paper also provides a comparison of the reporting requirements of other jurisdictions (the countries were agreed with the Board at the December 2017 meeting) to identify the main differences between the reporting requirements of Australia and internationally. This would help identify and inform possible options to improving the financial reporting framework for public sector entities.

### **Agenda Item 3.2 Draft Appendices to Discussion Paper [BOARD ONLY]**

- 8 Staff have commenced the drafting of Appendices A to F of the Discussion Paper to provide a wide discussion around the appropriate reporting framework in Australia for public sector entities, and more broadly, provide possible options to improve the financial reporting framework for public sector entities in Australia. Staff have decided to work on the Appendices to the Paper first as these Appendices will provide the bulk of the information for the executive summary and front sections of the Discussion Paper.
- 9 The structure of the Public Sector Discussion Paper would be similar to the Charities Discussion Paper However, except for issues, such as self-assessment, that are not applicable to public sector entities.
- 10 Staff will be seeking input from AUASB staff to flesh out the sections related to assurance. Staff are also intending to obtain financial data relating to public sector entities to help analyse the number or percentage of entities that might fall into the different possible tiers of financial reporting for the public sector.

### **Staff questions to the Board**

Agenda paper 3.1: Draft Research Report:

- (a) Do Board members have any comments on the draft Report?
- (b) Do Board members agree with the issues identified in the draft Report?
- (c) Do Board members think there are other areas that need to be addressed in draft Report?

Agenda paper 3.2: Draft Discussion Paper – Appendices A to F

- (d) Do Board members have any comments on the scope of Appendices A to F ?
- (e) Do Board members agree with the proposed options listed in *Appendix D - Possible types of specified financial statements?*
- (f) Do Board members have additional options that should be considered in *Appendix D - Possible types of specified financial statements?*