



Tasmania

ED 145 sub 8

DEPARTMENT of  
TREASURY and FINANCE

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Mr David Boymal  
Chairman  
Australian Accounting Standards Board  
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David

Dear Mr Boymal

### ED 145 OPERATING SEGMENTS

HoTARAC welcomes the opportunity to comment on the above Exposure Draft.

I would like to bring to the attention of the Board that the situation regarding disaggregated disclosure is very different for governments compared to the private sector. As well as those financial reports for the whole-of-government currently required under AAS 31, governments in Australia have advised that they consider that the General Government (Budget) Sector should be recognised as a reporting entity. In addition to this, each government department currently issues a general purpose financial report (GPFR) under AAS 29, and most government subordinate public authority entities submit an annual report to Parliament as a matter of public record. In the majority of cases, these annual reports to Parliament include a GPFR. This extensive disclosure is very different to the private sector which normally only makes publicly available a consolidated group financial report including a parent entity financial report.

HoTARAC supports the proposals for profit-seeking entities in the private sector in ED 145 and considers that disaggregating results, based on how management views and structures the entity, will be more efficient and will provide more relevant information about private sector entities. However, the approach taken by ED 145 is potentially inconsistent with the approach to disaggregated reporting taken by ED 142 *Financial Reporting of General Government Sectors by Government*. It is also inconsistent with the current approach in AAS 31 *Financial Reporting by Governments*. Reporting of disaggregated information by Government Finance Statistics (GFS) sectors within the AAS 31 whole-of-government reports provides an important link between whole-of-government and General Government Sector reports. Thus, a management based approach, as outlined in ED 145, is inappropriate for consolidated government reporting.

Consequently, these current proposals should be restricted to apply only to for-profit entities that meet the criteria in ED 145.2, namely for-profit entities with listed securities or a fiduciary role.

Any additional disaggregated disclosure for governments should be deferred and considered in the second stage of the AASB's project on segment reporting. HoTARAC's preliminary view is that any disaggregation of the whole-of-government financial report should be based on GFS sectors, as currently applies in AAS 31, and General Government disaggregation should be based on classification by function as proposed in ED 142.

HoTARAC also believes that it should be clear in the proposed new standard that entities are not precluded from other disaggregated reporting, such as reporting by activities (outputs and/or outcomes) which is currently required of some public sector agencies.

Yours sincerely

A handwritten signature in black ink, appearing to read "D W Challen". The signature is written in a cursive, flowing style.

D W Challen

**CHAIR**

**HEADS OF TREASURIES ACCOUNTING AND  
REPORTING ADVISORY COMMITTEE**

20 April 2006