

AUSTRALASIAN COUNCIL OF AUDITORS-GENERAL

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21 August 2007

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

Dear Mr Boymal

ED 155 – FINANCIAL REPORTING BY WHOLE OF GOVERNMENTS

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 views expressed in this submission represent those of all Australian members of ACAG with the exception of the Auditor-General for South Australia, who reserves his right to respond separately to auditing and accounting Exposure Drafts where he deems it appropriate, rather than as a member of ACAG.

ACAG supports the release of a standard based on ED 155 and believes that the requirements proposed for whole-of-government in ED 155 will be an improvement on current reporting practice and will enhance Government Finance Statistics (GFS) information.

ACAG also supports the desire of the Financial Reporting Council (FRC) to see concurrent preparation of harmonised financial statements for the General Government Sector (GGS) and Whole of Government in 2008-09.

The attachment to this letter details ACAG's specific comments to the matters raised in the Exposure Draft.

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

ATTACHMENT

SUBMISSION BY THE AUSTRALIAN MEMBERS (EXCEPT FOR THE AUDITOR-GENERAL FOR SOUTH AUSTRALIA) OF THE AUSTRALASIAN COUNCIL OF AUDITORS-GENERAL ON ACCOUNTING EXPOSURE DRAFT – ED 155 Financial Reporting by Whole of Governments

Note – references below to ACAG are limited to the Australian members of ACAG, excluding the Auditor-General for South Australia.

Specific comments

a) request for comment on the Board's intention to amend AASB 1049 to reflect decisions arising out of ED 155 and issue a single integrated Standard that specifies requirements for both Whole of Government financial reports (incorporating GGS, Public Non-financial Corporations (PNFC) sector and Public Financial Corporations (PFC) sector financial information) and GGS financial reports

We support the Board's stated intention to issue a single integrated Standard that specifies requirements for both GGS and Whole of Government financial reports.

An integrated Standard should help to minimise the potential for accounting policy and presentation differences between the GGS report and the reporting of GGS within the Whole of Government Report.

b) request for comment on the Board's intention to base Whole of Government general purpose financial reporting requirements on the principles adopted in AASB 1049 for GGS financial reporting

We agree that the Whole of Government financial reporting requirements should be based on the principles adopted in AASB 1049. This will help to ensure consistency in reporting of GGS and Whole of Government.

c) request for comment on the treatment of transactions with owners as owners and movements in reserves (paragraph 15). Such transactions may occur between the GGS and the PNFC/PFC sectors. They may also occur in a Whole of Government context in relation to partly owned subsidiaries. The Board is particularly interested in views on whether the differential treatment of transactions with owners as owners and movements in reserves is appropriate

We support the differential proposal to incorporate, in a single operating statement, information usually presented in the income statement and the statement of changes in equity under AASB 101 *Presentation of Financial Statements*.

We agree that transactions with owners as owners are different in nature from other movements in reserves and should not be recognised on the face of the operating statement because such transactions do not represent revenue or gains to the entity concerned.

Accordingly, we agree that transactions with owners as owners should be disclosed in the notes or a separate statement.

The Board might consider specifying a form of presentation to achieve consistency for disclosing owner transactions and movements in reserves.

d) Sector information (paragraphs 41-46). The Board has acknowledged the potentially onerous nature of the proposed requirement to disclose the financial statements and reconciliation notes for GGS, PNFC and PFC sectors in the Whole of Government Financial Report. The Board requests views on whether the proposal in ED 155 would provide the most effective way to meet users' needs for sector information.

ACAG supports the presentation of sector information and the reconciliation of sector fiscal aggregates to the equivalent GFS numbers. We believe that the credibility that attaches to this information will be enhanced by being subject to audit. The requirement also promotes comparison between jurisdictions.

Sector information needs to be prepared to produce consolidated financial statements for Whole of Government. The additional burden is in the information being published and the extra work in checking that the presentation of the information is accurate.

On balance we think the advantages of including sector information and reconciliation notes justify these disclosures.

ACAG supports the Board's proposal to present sector information in the form of a table comprising all sectors, Whole of Government and an adjustments column as proposed in the "Illustrative Example" (Supplement to ED 155). We note that the "Illustrative Example" does not show comparative information as required by AASB 101 and believe it would be useful to indicate whether a separate table showing comparatives would be acceptable.

e) request for comment on whether:

(i) Whole of Government budgetary information should only be required to be disclosed where Whole of Government budgeted financial statements are presented to parliament; and

(ii) Sector budgetary information should not be required to be disclosed in the Whole of Government financial report

ACAG agrees that Whole of Government budgetary information should be required to be disclosed where Whole of Government budgeted financial statements are presented to parliament.

ACAG also agrees that sector budgetary information should not be required in the Whole of Government Report. Where the main Budget focus is on the general government sector, the budget to actual comparison is catered for by the financial reports proposed for that sector, through existing AASB 1049.

f) request for comment on whether transitional requirements, in particular assessments of the costs and benefits of the approach proposed, which is to require the principles in AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to apply to

the first Whole of Government financial report prepared in accordance with the proposals in this Exposure draft

ACAG does not foresee any issues with application of the principles in AASB 108 to the first Whole of Government financial report prepared in accordance with the proposals in ED 155.

Given that AASB 1049 requires AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to be applied, an explanation of the requirement to apply AASB 108 instead of AASB 1, possibly in the Basis for Conclusions, would be useful.

g) request for comment on whether, overall, the proposals would result in financial reports that would be useful to users

We agree that the proposals in this exposure draft to apply to preparation of the Whole of Government financial report would result in a financial report that would be inherently useful to users of GAAP/GFS information.

h) request for comment on whether the proposals are in the best interest of the Australian economy.

We believe that audited GFS/GAAP information will be in the best interests of the Australian economy.