

22 August 2007

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS STREET WEST  
VICTORIA 8007

Dear Sir

**COMMENT**

**ED156 – PROPOSALS ARISING FROM THE SHORT-TERM REVIEW OF THE REQUIREMENTS  
IN AAS 27, AAS 29 AND AAS 31**

To provide some background our firm has a long term involvement with the local government sector in Western Australia stretching back to 1990. We were at the forefront of assisting local governments in Western Australia come to terms with AAS27 when it was first introduced and have been assisting them with changes to accounting treatments and disclosure requirements since that time.

We are currently the incumbent external auditors for 70 of the 142 local governments in Western Australia and provide accounting services to numerous others.

We also conduct a workshop (at least annually) which addresses topical accounting issues including changes to accounting standards, reporting amendments and changes to report formats.

The cornerstone of these workshops has been the development of a model financial report and model budget which address all relevant disclosure requirements and establishes a consistent reporting guideline for local governments in Western Australia to follow.

Consequently, we have a significant interest in the local government sector and provide the following comments in respect of ED156.

Please note, due to this interest, our comments on ED156 are in respect of AAS 27 only. Accordingly, we have focused our attention on the effect the proposed changes will have on the local government industry.

As a whole, we support the proposals embodied in ED156 and make specific comment as follows:

**1. Proposed New Standards**

**(b) AASB 10XY *Land Under Roads – Transitional Requirements***

Agree with approach. It is very important as much guidance as possible is given in this standard, particularly as Land under Roads has been a very topical issue since the advent of AAS 27.

The differences in particular State jurisdictions should also be considered. For example, land under roads in Western Australia is generally Crown Land vested in a local government for use as a road reserve, when in other states it may be freehold.

It has lead to discussion amongst industry groups here in Western Australia as to how this should be treated and if the asset will be double counted by both State and Local jurisdictions.

Consistency, clarity and guidance should be paramount in any AASB deliberations on this topic.

**(c) AASB 10XZ *Disaggregated Disclosures***

(i) Agree

(iii) Do not believe it should be given particular priority.

**2. Proposed amendments to Existing Standards**

**(a) AASB 3 *Business Combinations***

Do not see any issues with this and provides definitive clarification. That alone is useful.

**(b) AASB 116 *Property, Plant and Equipment***

(i) Do not see any issues with this.

(ii) Australian Guidance in this area will be particularly useful.

**(c) AASB 127 *Consolidated and Separate Financial Statements***

(i) This approach sounds logical and reasonable.

(ii) Clarification of control in the public sector is of importance and is often the topic of fervent discussion within industry groups and with clients. Attaching a high priority to this would be appreciated.

**(d) AASB 137 Provisions, Contingent Liabilities and Contingent Assets**

- (i) Welcome the direction in this regard but would need to be clear on the demarcation of when the intention becomes a firm commitment (ie a crystallised obligation).
- (ii) Given our comments at 2(d)(i) above, this review would need to be sooner rather than later.

**(e) AASB 1004 Contributions**

- (iv) Appears to be reasonable and agree with proposal.
- (vii) From review, appears to provide adequate guidance and do not have any issue with this approach.
- (viii) As far as local government is concerned, a very high priority needs to be given to this. Many practitioners within local government are still hung up on the matching concept (ie match revenue to expenditure) and are quick to blame the standards for the shortcomings of practitioners within the industry. The sooner emphatic commentary in this matter is received from the AASB, the sooner we will be able to close this chapter (we hope).

**3. Requirements/Guidance Adequately Addressed in Other Standards**

**(c) Restructure of local governments**

We generally agree with this proposal.

**4. Requirements/Guidance that would no longer be Addressed in Standards**

**(b) Performance indicators**

- (i) Agree with this proposal.
- (ii) We do not believe this to be of particular importance. The industry appears to be addressing this independently from the perspective of sustainability and ongoing survival. The only issue we can think of is consistency, particularly when comparing across State jurisdiction.

**(c) Regulatory or other issues**

Local governments are subject to many separate jurisdictions within Australia as it is a State based responsibility. The fact that each State and Territory has separate legislation (and accompanying regulations) does sometime cause inconsistency of approach from one jurisdiction to the next.

This lack of uniformity sometimes affects the way the standard is interpreted in one State when compared to another.

**(d) Best interests of the Australian economy**

We do believe eliminating topic based standards (to the extent we are able) is in the best interests of the Australian economy. Consequently we reiterate our earlier comments that on the whole, we support the proposals (in the context of local government) embodied in ED156 and what they are attempting to achieve.

Yours faithfully



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PARTNER