



6 June 2011

Mr Kevin Stevenson  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007

Dear Mr Stevenson,

**Exposure Draft ED 211 proposed amendments to AASB 1049**

Attached is the Australasian Council of Auditors-General (ACAG) response to the proposals outlined in paragraphs (a) to (c) and (f) to (g) of the Main Requirements section in the Preface of the Exposure Draft referred to above, together with comments on other specific matters outlined in ED 211. ACAG has previously commented on the proposals outlined in paragraphs (d) and (e).

The views expressed in this submission represent those of all Australian members of ACAG.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S O'Neill', is written over a horizontal line.

Simon O'Neill  
**Chairman**  
**ACAG Financial Reporting and Auditing Committee**

**ED 211 PROPOSED AMENDMENTS TO AASB 1049 (EXCLUDING QUESTIONS PREVIOUSLY ADDRESSED).**

ACAG has the following comments on question 1 – paragraphs (a) to (c) and (f) to (g) of the Main Requirements Section of ED 211.

**1(a) unambiguously require both GGS and whole of government financial statements to be prepared**

ACAG supports this change. It reduces possible misinterpretations of the requirement to present GGS financial statements.

**1(b) require, at all times, GGS and whole of government financial statements to be available at the same time and with a cross reference to each other**

ACAG supports this change. It emphasises the important relationship between the two documents.

**1(c) clarify the principle of ‘a GAAP option is limited to align with GFS’**

ACAG supports this change. It would not be desirable to force governments to early adopt an Australian Accounting Standard merely to align with GFS.

**1(f) clarify the requirements for the presentation of key fiscal aggregates and any other fiscal aggregates that are disclosed**

ACAG supports clarification of the requirements for the presentation of key fiscal aggregates and any other fiscal aggregates that are disclosed. However, it believes that the text of the proposed revised paragraph 18 could be made easier to follow, particularly to distinguish between those requirements that apply to key fiscal aggregates, those that apply to other fiscal aggregates and those that apply to both. ACAG submits the following as an example of how paragraph 18 might be modified to this end.

18A. A government may elect to disclose key fiscal aggregates (as defined) or other information in accordance with the ABS GFS Manual that are additional to the requirements of this Standard. If a government elects to make such disclosures, they shall be made in a way that does not detract from the information prescribed in this Standard.

18B. Consistent with the requirements in paragraph 16 of this Standard, additional key fiscal aggregates shall be measured in a manner consistent with recognised amounts. Consistent with paragraphs 41(a)(i) and 52(b)(ii) of this Standard, where they differ, corresponding key fiscal aggregates measured in accordance with the ABS GFS Manual are disclosed, together with a reconciliation of the two measures of each key fiscal aggregate. Measures of key fiscal aggregates that are not measured in a manner consistent with recognised amounts in accordance with this Standard or the ABS GFS Manual are ~~not disclosed as key fiscal aggregates or other fiscal aggregates~~. [ACAG does not understand the need for the struck out words. If the disclosure of the key fiscal aggregates in question is intended to be prohibited, then the struck out words could simply be replaced with “not permitted”].

18C. If a government elects to disclose aggregates that are not key fiscal aggregates, they are made in a way that clearly differentiates them from key fiscal aggregates.

18D. Examples of additional disclosures that may be made voluntarily include the classification of other economic flows consistent with Table 7.4 of the ABS publication Australian System of Government Finance Statistics: Concepts, Sources and Methods, 2005 (ABS Catalogue No. 5514.0) GFS Manual and additional key fiscal aggregates such as change in net worth due to revaluations and change in net worth due to other changes in the volume of assets.

**1(g) clarify the requirements for recasting budgeted financial statements for disclosure purposes**

ACAG supports this change. It reduces possible misinterpretations that the recognition and measurement rules adopted in a budget need to be changed for the purposes of the financial statements.

**2. Whether, overall, the proposals would result in financial statements that would be useful to users.**

ACAG believes that, overall, the proposals would result in financial statements that would be useful to users.

**3. Whether the proposals are in the best interests of the Australian economy.**

ACAG believes that the proposals are in the best interests of the Australian economy.

**4. Unless already provided in response to specific matters for comment 1 – 3 above, the costs and benefits of the proposals relative to the current requirements, whether quantitative (financial or nonfinancial) or qualitative.**

Since the proposed changes are largely in the nature of clarifications, ACAG expects that there will be a reduction in the costs of future financial statements, because less time will need to be spent by preparers and auditors discussing issues that now are clarified.

Given the nature of the proposed changes, ACAG does not expect major benefits to users of financial statements, although clarifying the status of additional fiscal aggregates will be helpful.

**ACAG further views on issues not included in proposed revised AASB 1049**

ACAG has an additional comment on one of the issues that the AASB identified in the Post-Implementation Review but that did not lead to proposed changes to AASB 1049.

*Carrying amounts of assets attributable to functions*

ACAG disagrees with the Board's decision to retain the requirement to disclose the carrying amount of assets attributable to functions. As the Basis for Conclusion notes, this requirement is not part of the ABS GFS Manual. ACAG does not see this information as being useful to users. Nor does ACAG believe that the fact that a disaggregated disclosures project will eventually address this issue is sufficient reason for continuing with the disclosures. ACAG suggests instead that this requirement be deleted from AASB 1049 and reconsidered during the disaggregated disclosures project.