



The Chairman  
Australian Accounting Standards Board  
PO Box 204  
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**Exposure Draft, ED 212 *Not-for-Profit Entities within the General Government Sector***

Reference is made to the Exposure Draft, ED212 *Not-for-Profit Entities within the General Government Sector* on which comment is sought.

The New South Wales Department of Education and Communities does not support the proposal at an agency level as it is considered that this will not lead to an overall improvement in general purpose financial reporting and will not meet the needs of a broad range of users given the costs of complying.

Further explanation on this view is set out below.

As it is noted that the Government Finance Statistics (GFS) focuses on providing information for the assessment of the macro-economic impact of a government and each of the government's sectors, it is the view of the Department that this is already addressed through AASB 1049, *Whole of Government and General Government Sector Financial Reporting*. In New South Wales (NSW), this requires the effort of one agency and one audit team to produce and audit the NSW Total State Sector Accounts.

It is therefore difficult for the Department to understand the benefits that readers of the Department's financial statements would gain if the proposal becomes an accounting standard.

General Government Sector (GGS) entities in NSW are required to produce the annual financial statements by reference to the Australian Accounting Standards, the *Financial Reporting Code for Budget Dependent General Government Sector Agencies* (the Code) and other mandatory NSW Treasury Accounting Policy Statements. The document, the Code, sets out the financial reporting framework and facilitates consolidation to assist in NSW Treasury preparing the Total State Sector Accounts.

Currently knowledge of the GFS Manual is considered to be restricted to NSW Treasury as there is no need for GGS entities and their corresponding audit teams to have this knowledge.

If the proposal becomes an accounting standard, multiple entities will be required to acquire and maintain specialised knowledge of the GFS Manual. This would also apply to the audit teams of those entities.

This will require additional effort and cost in complying with the proposed standard potentially leading to various different interpretations by individual entities and auditors, at a time when the time to complete and audit the financial reports is extremely tight.

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It would be imperative that differences between accounting standards and the GFS be fully understood. Additionally, the calculation of the GFS '**net result from transactions**' would require an ability to distinguish between transactions and other economic flows under the GFS.

The preparation of the accounts based on the new standard if adopted including the reconciliation to comply with the harmonised GAAP GFS requirements would impose additional pressures on the Department, given the tight timeframe to complete the accounts. In particular the burden of the reconciliation of the key fiscal aggregates to the government financial statistics would be onerous. Differences in interpretation of the international standards by DEC and Audit may result in delays in finalisation of the Annual Financial Statements.

Compliance with **ED212** would also require changes to the Department's accounting systems involving considerable effort required to recode and map the ledger accounts.

It is considered that the proposal does not lead to an improvement in readability, understanding or comparability within sectors.

The attempt to classify assets as 'Financial Assets' (those assets likely to be realised in the form of cash within twelve months) and 'Non-financial assets' (all other assets) would be confusing to those used to the terms 'Current Assets and Non-current Assets'. Likewise, users of financial reports are used to the classification of 'Current and Non-current Liabilities'. In the illustrative example given in the Exposure Draft there is only a single classification of Liabilities.

In addition, it is considered that the implementation of this Exposure Draft would not facilitate desired industry comparisons. Non government schools are not caught by the potential standard as this only applies to GGS sector agencies and therefore they would be reporting on a different basis compared to the Department.

In light of the above the Department does not perceive any benefit in adopting the proposed standard given the effort and costs involved.

Yours sincerely



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