



24 October 2011

The Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS ST WEST VIC 8007

Dear Mr Stevenson

**RE: Comments on Exposure Draft 212 – *Not-For-Profit entities within the General Government Sector***

The South Australian Department of Treasury and Finance has reviewed the Exposure Draft (ED) 212 relating to general purpose financial reporting by not-for-profit entities within the general government sector.

The SA Government supports the proposals outlined in the ED. It is our view that the implementations of the proposals will lead to an overall improvement in financial reporting. In addition, we believe the proposals will enhance transparency and accountability and will increase comparability between entities within the same jurisdiction and provide a cleaner and clearer link between these entities and whole-of-government reporting.

In response to your request for specific comment on:

*(a)(i) the proposal to limit the entities affected by the proposals in this Exposure Draft to not-for-profit entities within the GGS. In particular, the Board seeks comment on whether the proposals should also apply to for-profit entities within the GGS (see paragraphs 2 and BC10-BC13)*

The SA Government supports the proposals being applicable to all entities within the general government sector ie not-for-profit entities and for-profit entities. Currently the SA Government does not have any for-profit entities within the general government sector.

*(a)(ii) the proposal that the version of the ABS GFS Manual to be applied is a version that was effective at the beginning of the previous annual reporting period or any version effective at a later date, rather than necessarily the latest version (see paragraphs 9 and BC14-BC15)*

The SA Government supports the application of the ABS GFS manual which is effective at the beginning of the previous period consistent with recent amendments to AASB 1049.

*(a)(iii) the proposal to limit GAAP recognition and measurement options to those that align with GFS and thereby require the same accounting policies as those adopted under AASB 1049 for whole of governments and the GGSs (see paragraphs 10-12 and BC16-BC25)*

The SA Government supports limiting GAAP recognition and measurement options to those that align with GFS. This will ensure consistency between jurisdictions, between general government sector entities and their respective Government.

It should be noted that consistent with most, if not all, other Australian jurisdictions, the SA Government has issued Treasurer's directions which require SA government agencies to adopt certain accounting standard option which align with GFS to facilitate whole-of-government consolidated financial statements.

*(a)(iv) the proposal to require disclosure, under both Tier 1 and Tier 2 requirements, either in the financial statements or in the notes, of information based on GAAP/GFS harmonised classification and presentation principles for controlled items and, separately, administered items (including classification of income and expenses as transactions and other economic flows, and classification and presentation of cash flows from investing activities for policy purposes and liquidity management purposes) (see paragraphs 13-18, 22 and BC26-BC35)*

The SA Government supports the proposal to require disclosure, either in the financial statements or in the notes, of information based on GAAP/GFS harmonised classifications and presentation principles for controlled items and separately for administered items. It is our view that this will provide useful information to users of financial statements and provide consistency when comparing general government sector entities within the same jurisdiction and when understanding the entity's contribution to its Government.

*a)(iv)A. whether the on-the-face or in-the-notes presentation option should be allowed and, if not, whether on-the-face presentation of GAAP/GFS harmonised information should be prohibited given the potential for complexity*

The SA Government supports the presentation on the face of the statements. GFS/GAAP presentation is not onerous and has already been adopted by one Australian jurisdiction (via legislative amendments).

However, presenting administered items side by side with controlled items may "overwhelm" readers and user of financial statements. Accordingly the SA Government suggests that the disclosure of GFS/GAAP harmonised information should not be inhibited by being tied to the side by side disclosure of administered and controlled items within the same statement.

SA Government agencies currently report, present and disclose controlled and administered items in separate financial statements, and we suggest that this flexibility of reporting, presenting and disclosing be continued.

*(a)(iv)B. the proposal to require disclosure of GAAP/GFS harmonised classification information at line item level, where it is presented in the notes; and whether*

*information at the line item level would be more beneficial than at the GFS category level;*

The SA Government supports the disclosure of GAAP/GFS harmonised classification information at line item level, where it is presented in the notes accompanying the financial statements.

*(a)(v) the proposal to require AASB 1050 to continue to apply to government departments, to the extent its requirements are not satisfied by the proposals in this Exposure Draft (see paragraphs 19 and BC29-BC31)*

The SA Government supports the AASB 1050 continuing to apply to government departments.

*(a)(vi) the proposal to require disclosure, under both Tier 1 and Tier 2 requirements, of any original budgeted financial statements reflecting controlled or administered items presented to parliament, recast to align with the presentation and classification adopted in the primary financial statements and accompanying information about administered items or the GAAP/GFS harmonisation note (whichever is judged to be the more useful) and an explanation of variances (see paragraphs 23-29 and BC40-BC42)*

Although the SA Government agrees in principle with the inclusion of budget information in financial statements, there are a number of concerns that we believe justifies a delay in the implementation of this requirement.

For example, it is problematic as to which set of budget numbers should be used for comparison against the actual numbers, having regard to matters such as newly approved initiatives and machinery of government changes after the original budgets have been set.

Without resolving such issues the SA Government considers that the inclusion of budgeted information could potentially be misleading and confusing for users of the financial statements.

The SA Government suggests that the inclusion of budgeted information be revisited once the AASB's project on budget reporting is finalised.

If these requirements are introduced immediately, we suggest there be some flexibility to ensure information provided is properly comparable with the outcomes reported.

*(a)(vii) the proposals relating to other disclosures, from both a Tier 1 and Tier 2 perspective (see paragraphs 30-32), in particular relating to:*

*A requiring information to be disclosed in the accounting policy note (paragraph BC36), including disclosures about the version of the ABS GFS Manual adopted and, where relevant, a later version (paragraph BC15)*

*B not requiring disclosure of disaggregated information, except to the extent it continues to be required by AASB 1052 for government departments (paragraphs BC37-BC39)*

The SA Government supports the disclosure proposals including disaggregated information.

*(a)(ix) unless already provided in response to other specific matters for comment relating to disclosures, the proposal to exempt entities adopting Tier 2 requirements from certain disclosures (shown as shaded text in this Exposure Draft)*

The SA Government supports the proposal to exempt entities adopting Tier 2 requirements.

*(a)(x) the illustrative examples, and whether they provide guidance that is appropriate/helpful in implementing the proposals (see Illustrative Examples A and B and paragraphs BC49-BC50)*

The SA Government supports the AASB providing illustrative examples including the net cost of services format. Currently SA Government agencies prepare their Statement of Comprehensive Income on a net cost of services format.

*(a)(xi) the proposed operative date (see paragraphs 3-4 and BC48)*

The SA Government supports the proposed operative date.

*(b) unless already provided in response to specific matter for comment (a) above, whether overall, from both a Tier 1 and Tier 2 perspective, the proposals would result in financial statements that would be useful to users*

The SA Government believes that the proposals would result in useful, readable and informative financial statements for users. The proposals will provide consistency when comparing results with other general government sector entities and within the same jurisdiction and its relationship to whole-of-government.

*(d) unless already provided in response to the specific matters for comment above, the costs and benefits of the proposals relating to both Tier 1 and Tier 2 requirements relative to the current requirements, whether quantitative (financial or non-financial) or qualitative*

The SA Government believes the costs to implement ED 212 are relatively minor when compared to other standards that have been implemented and are justified by the benefits.

If you require further information or clarification, please contact Julie Sinclair, Team Leader, Financial Management on (08) 8226 1786.



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