



**Australian Government**  
**Australian Accounting**  
**Standards Board**

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**COPY**

Mr Paul Sutcliffe  
The Technical Director  
International Public Sector Accounting Standards Board  
Internal Federation of Accountants  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, New York 10017  
United States of America

Dear Paul

**Comments on IPSASB ED 28 *Disclosure of Financial Information about the General Government Sector***

Thank you for the opportunity to comment on ED 28. The matters addressed in the ED are particularly pertinent to Australia given the work the AASB is doing to harmonise GAAP and GFS. The attached comments were prepared by the staff of the AASB having regard to input from the AASB public sector sub-committee.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'David'.

Professor David Boymal  
Chairman

**Australian Accounting Standards Board Staff Comments on  
International Public Sector Accounting Standards Board  
Exposure Draft 28  
*Disclosure of Financial Information about the General Government Sector***

**Overall comment**

We believe that the ED is a positive step towards convergence of GAAP and statistical reporting bases. Once IPSASs acknowledge that the GGS of a government is an important component of a whole-of-government reporting entity for general purpose financial reporting purposes, the IPSASB could then move on to other initiatives that may facilitate further convergence such as:

- performance reporting;
- aligning IPSAS measurement requirements with statistical reporting bases measurement requirements to the extent appropriate;
- restricting options in IPSASs to those that align with statistical reporting bases;
- prescribing disclosure of statistical reporting bases aggregates and analytical balances and reconciliations from those to corresponding IPSAS amounts; and
- GGS budget reporting (particularly in light of the work done by the IPSASB, reflected to date in IPSASB ED 28).

**Responses to specific matters for comment**

1. *Whether requirements for the disclosure of financial information about the GGS should be included in GPFSS prepared in accordance with IPSASs, and if yes, whether such disclosures should be allowed, encouraged or required. The proposed Standard prescribes the basis on which the disclosure of information about the GGS is to be made by those entities which elect to make such disclosures. It does not require, encourage or prohibit such disclosures (see paragraph 2).*

We believe that disclosure of financial information about the GGS should at least be allowed, and preferably encouraged, to be included in whole-of-government GPFSS prepared in accordance with IPSASs. In jurisdictions such as Australia, some important information needs of users are met through the provision of GGS information. Disclosure of information about the GGS facilitates good governance and transparency as it relates to public finance. We note that as long as an IPSAS allows or encourages such disclosures, a jurisdiction that develops a corresponding standard that encourages or requires such disclosures would still be consistent with the IPSAS.

2. *Whether the proposed definition of the GGS in paragraph 14 is appropriate.*

As expressed in paragraph 14, the definition lacks precision. However, paragraph 17 compensates, particularly in the last sentence, which requires the definition and its interpretation to be jurisdiction specific. We would prefer that the definition and commentary thereto refer to a single universal definition

of GGS and interpretations thereof, rather than anticipate jurisdiction specific definitions and interpretations. However, given the circumstances of a number of jurisdictions regarding the implementation of statistical reporting bases relative to GPFSSs, and consistent with the focus on user needs expressed in paragraph 11, we can accept the jurisdiction specific nature of the definition.

In the interest of international comparability, the organisations responsible for the definitions of GGS and any interpretations thereof should be encouraged to derive a single definition with consistent interpretations (in particular, as contained in IMF's GFSM 2001). These could be adopted into the IPSAS in due course.

3. *Whether the proposed treatment of investments in public corporations in the GGS disclosure is appropriate. The proposed Standard requires that the investment be presented as an asset at the carrying amount of the net assets of its investees (see paragraph 24).*

We believe that the proposed treatment of investments in public corporations in the GGS disclosure is appropriate, but only to the extent the investments are equity/net asset investments. That treatment is consistent with treating the GGS as a sector/disaggregated part of the whole of government noted in paragraph 30.

However, we note that if the GGS were to be treated as a separate reporting entity, consistent with general principles of accounting for equity investments, measurement at the carrying amount of the net asset of the investee may not be appropriate.

4. *Whether a government which elects to disclose information about the GGS should be required or encouraged to separately disclose information about the GGS of each level of government consolidated in its whole-of-government GPFSSs (see paragraph 32).*

This is not an issue in the Australian context at this time. However, consistent with a principle-based approach to standard setting, and consistent with the overall 'allow but not encourage or require' approach to the Standard, and having regard to cost/benefit issues acknowledged in paragraph 11, we do not believe that it is necessary to require further disaggregation. However, consistent with our response to question 1, and in the spirit of convergence, our preference would be for the Standard to encourage the disaggregation.

5. *Whether a reconciliation to the statistical reporting basis should be required. The proposed Standard notes that such a reconciliation may be presented, but does not require it (see paragraph 45).*

Given the current stage of GAAP/statistical reporting bases convergence, we can accept the ED approach to a reconciliation. We note that the proposals in ED 27 *Presentation of Budget Information in Financial Statements* would

effectively require a reconciliation in those jurisdictions where the budget is prepared on a statistical reporting basis.

In due course, we suggest that IPSASB consider expanding the objectives of GPFSs to explicitly embrace the objective of statistical reporting bases, being for macro economic analysis (eg fiscal impact) within an integrated system of national accounts. If this were to occur, GGS aggregates and analytical balances that do not have GAAP equivalents (eg net lending/borrowing) should be included in the disclosures in the GPFS and measured using a statistical reporting basis. GGS aggregates and analytical balances that have GAAP equivalents (eg net operating balance) should be measured using IPSASs and then a reconciliation shown to the statistical reporting basis. The ultimate integration of the statistical reporting basis with GAAP may be substantially facilitated through the IPSASB's longer-term project on performance reporting.

6. *Whether there should be a separate IPSAS on disclosure of information about the GGS, or whether the requirements proposed in this Standard should be included as an addition to IPSAS 1, "Presentation of Financial Statements" for governments which elect to disclose information about the GGS.*

We believe that a separate IPSAS should be issued. Although it would be only a disclosure standard, we believe that its implications warrant a separate standard in a similar way that segment reporting is addressed in its own standard. Furthermore, as the convergence of statistical reporting bases and GAAP progresses, we believe that a separate standard will provide a better focus for that work.

7. *Whether requirements for disclosure of the GGS under a cash basis IPSAS should also be developed.*

This is not an issue in the Australian context. In concept, we do not believe that there is any reason why requirements for disclosure of the GGS under a cash basis IPSAS should not also be developed. However, given the priorities of the IPSASB, we believe that such a project should be a low priority.

#### **Other comments**

Paragraph 13: this paragraph asserts "it is only possible to disclose a meaningful representation of the GGS for a government at the whole-of-government level". However, it is conceivable, for example, that a government department incorporates a quasi-corporation. Therefore, while agreeing that the IPSAS to arise from ED 28 should only apply to a government at the whole-of-government level, the assertion in paragraph 13 should be amended to read "it is only possible to disclose a meaningful representation of the GGS of a government at the whole-of-government level".

Paragraph 37: this paragraph states "Statistical reporting bases require government expenses to be disaggregated and disclosed by classes based on either the

economic nature of the expenses or by the Classification of Functions of Government (COFOG)”. Consistent with the last sentence of paragraph 6.1 of GFSM 2001, we suggest that it is expressed along the lines of “Under statistical reporting bases government expenses are disaggregated and disclosed by classes in two ways: the economic nature of the expenses and the Classification of Functions of Government (COFOG)”.

Paragraph 43 and related paragraphs: we believe that the IPSAS arising from ED 28 should at least encourage a full disaggregation of the whole-of-government into the three sectors: GGS, PNFC and PFC. This would provide users with information about the financial interrelationship between the GGS and the other two sectors. This is particularly important in those countries that drive public policy initiatives through entities in the PNFC and PFC sectors.