



Tasmania

**ITC - Interpretations sub 7**

DEPARTMENT of  
TREASURY and FINANCE

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Mr David Boymal  
Chairman  
Australian Accounting Standards Board  
PO Box 204  
COLLINS ST WEST VIC 8007

Dear Mr Boymal

**INVITATION TO COMMENT ON PROPOSED INTERPRETATIONS MODEL FOR  
AUSTRALIAN ACCOUNTING STANDARDS**

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to make a submission on the Australian Accounting Standards Board's (AASB's) *Proposed Interpretations Model for Australian Accounting Standards*. Detailed comments are provided in Appendix 1.

HoTARAC agrees that it is prudent to review the operations of the Urgent Issues Group and supports the proposed change, from a formal body based on proportional representation, to advisory panels based on professional competence and relevant experience.

HoTARAC regards it as important that the AASB continues to address public sector accounting interpretations as a matter of priority. This is of particular importance as the International Standards, on which Australian Equivalents have been based, are written specifically for private sector for-profit entities. HoTARAC is of view that the not-for-profit sector, including the public sector, is more likely to require guidance due to the difference in profit objective, the unique nature of transactions (not seen in the for-profit sector) and the lack of international guidance for the sector.

HoTARAC is concerned that the proposed changes should not impact on the timeliness and quality of interpretations issued by the Board.

HoTARAC regards the early allocation of resources to emerging issues as critical in enabling the Board to meet its aim of issuing more timely responses. Any change should not see a decline in resources allocated to addressing issues requiring interpretation by the Board.

If you have any queries regarding this submission, please contact Mr Peter Gibson, at the Commonwealth's Department of Finance and Administration, on (02) 6215 3551.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D W Challen', written in a cursive style.

D W Challen  
**CHAIR**  
**HEADS OF TREASURIES ACCOUNTING**  
**AND REPORTING ADVISORY COMMITTEE**

17 January 2006

Encl

**HoTARAC's COMMENTS ON THE AASB'S *PROPOSED INTERPRETATIONS MODEL FOR AUSTRALIAN ACCOUNTING STANDARDS***

The following comments are provided in response to each of the issues raised by the AASB:

**(a) The proposal to establish advisory panels on issues is a more flexible and adaptive approach than having a formally established body.**

Agree.

HoTARAC notes that any change from the current process should not impact on the overall timeliness or quality of interpretations issued.

Potentially, the creation of topic specific advisory boards may require additional time to put together a suitable panel of experts, with the required competence and experience. This could impact on the timeliness of interpretations issued.

The changes implemented should be monitored to ensure that interpretations are issued in a timely manner and that adequate resources are allocated to achieve this aim.

**(b) The proposed size and composition of advisory panels and appointment on the basis of professional competence and relevant experience is preferable to appointment on the basis of representation.**

Agree.

It is noted that, depending on the issue or area for which guidance is required, the composition of the advisory panel might vary.

It is suggested that the Interpretations Agenda Committee should establish a panel or pool of experts from which may be selected persons, with appropriate skills and experience, applicable to specific areas such as the public sector.

It is also suggested that, where sector neutral guidance is required, consideration should be given to industry or sector expertise in the selection of advisory panels, in cases where this would assist the development of a balanced interpretation for application across sectors.

**(c) The formation of an Interpretations Agenda Committee, its role and the manner in which requests for guidance are dealt with will facilitate more timely responses on issues.**

Agree.

HoTARAC notes that to achieve the overall aim of facilitating more timely responses on issues, the Interpretations Agenda Committee should actively monitor the timeliness of interpretations and allocate resources accordingly.

HoTARAC is of the view that the Interpretations Agenda Committee should ensure that public sector issues are addressed as a matter of priority, given the unique nature of the sector and other not-for-profits applying the profit orientated framework of International Financial Reporting Standards. HoTARAC notes that these entities are more likely to require guidance due to the inconsistency in profit objective, the unique nature of transactions (not occurring in the for-profit sector) and the lack of international guidance for the sector.

**(d) The manner of the interaction with the IFRIC and its processes is appropriate.**

Agree.

Matters requiring interpretation that are not specific to the Australian context or not-for-profit entities should be referred to the International Financial Reporting Interpretations Committee (IFRIC) in the first instance to minimise the occurrence of divergent interpretations issued between International and Australian interpretations bodies.

However, to prevent divergent practices and provide surety to reporting entities in the interim, such consultation with IFRIC should not impact on the timeliness of issuing Australian interpretations should IFRIC defer, or decide not to consider, the matter.