

## **AASB Strategy Paper (as at 16 November 2005)**

(This Paper is to be updated periodically as progress is made on its implementation and as issues emerge)

### **Australian Accounting Standards and Public Sector Entities**

#### **1. BACKGROUND**

Currently, Australian-equivalents-to-IFRSs specify the extent to which they are applicable to public sector entities. Some exclude from their scope not-for-profit entities including public sector entities (for example, AASB 114 *Segment Reporting*) and others specify particular requirements/relief for not-for-profit entities including public sector entities (for example, AASB 116 *Property, Plant and Equipment*). In addition, there are Australian Accounting Standards that are not Australian-equivalents-to-IFRSs that are applicable to not-for-profit entities including public sector entities (for example, AASB 1004 *Contributions*).

Overlaying all of these Standards are the industry-based Standards AAS 27 *Financial Reporting by Local Governments*, AAS 29 *Financial Reporting by Government Departments*, and AAS 31 *Financial Reporting by Governments*. These Standards effectively specify that all other applicable Australian Accounting Standards apply subject to ‘override provisions’, which state that, where there is a conflict between AASs 27, 29 and 31 and other Australian Accounting Standards, AASs 27, 29 and 31 requirements prevail. AASs 27, 29 and 31 also specify certain other additional requirements (for example, disclosure of administered items by government departments). In many respects, AASs 27, 29 and 31 are out-of-date, for example by cross-referencing to superseded versions of other Australian Accounting Standards. In practice, issues relating to superseded cross-referencing and the application of the override are being resolved on the basis of the principle that references in an Australian Accounting Standard to other Australian Accounting Standards are generally ambulatory. However, ideally, the references would be updated each time a change occurs. It is now timely that any uncertainty in the application of cross-references and the override is removed.

It is also timely to review the extent to which local governments, government departments and governments should continue to be subject to requirements that differ from requirements applicable to other not-for-profit entities and for-profit entities contained in Australian Accounting Standards where those requirements result in like transactions and events being accounted for and reported differently. Differences should be removed, where appropriate and timely, to improve the overall quality of financial reporting. Furthermore, to the extent AASs 27, 29 and 31 have not kept up with contemporary accounting thought, it is timely that they be reviewed.

Broadly there are two alternative mechanisms to implementing the approach of updating and improving the requirements for local governments, government departments and governments:

- (a) review AASs 27, 29 and 31 and reissue them in light of the latest Australian Accounting Standards, including Australian equivalents to IFRSs, retaining/amending where necessary any issues that are addressed in AASs 27, 29 and 31 that are not adequately addressed in the latest Australian Accounting Standards; or
- (b) withdraw AASs 27, 29 and 31 and require other Australian Accounting Standards to apply in their own right – amended/created where necessary to pick up any issues that

are addressed in AASs 27, 29 and 31 that are not adequately addressed in the latest Australian Accounting Standards.

At its July 2005 meeting, the AASB decided that, given the improvements in the quality of financial reporting by local governments, government departments and governments since AASs 27, 29 and 31 were first issued, it is now timely to propose the adoption of mechanism (b).

As reflected in section 3.3(m) of this Paper, despite the proposed withdrawal of AASs 27, 29 and 31, the Board will consider GAAP/GFS convergence issues as they relate to local governments, government departments and governments as part of its GAAP/GFS Convergence project. Accordingly, whilst acknowledging that the issues somewhat interrelate, the timing of withdrawal, and adoption of GAAP/GFS Convergence project outcomes, are not necessarily tied together.

This paper outlines a strategy for the orderly withdrawal of AASs 27, 29 and 31 for years ending on or after 30 June 2007, with early adoption of the effect of withdrawal permitted, an ongoing strategy for dealing with public sector issues under the following headings:

- Principles – outlines proposed broad principles to guide the Board’s future standard-setting relating to not-for-profit public sector entities in the absence of AASs 27, 29 and 31<sup>1</sup>;
- Actions – outlines proposed actions the AASB could take in withdrawing AASs 27, 29 and 31 and moving forward. The focus here is particularly on the short term actions to be taken as a consequence of withdrawal. Appendix A considers the implications of withdrawal from a longer term perspective;
- Timetable – provides a proposed timetable for undertaking the actions; and
- Relationship of Topic-Specific Standards to Public Sector Entities – provides a list of technical issues matched to the relevant section/paragraph of the current industry-based Standards and to the relevant topic-based Standard where it is or could be addressed in the absence of the industry-based Standards.

## **2. PRINCIPLES:**

### **2.1 Consultation:**

Consult and engage key constituents and, where relevant, use expert groups to help develop technical issues;

### **2.2 Retention of Guidance in AASs 27, 29 and 31 after the withdrawal of those Standards:**

Where needed, retain material currently contained in AASs 27, 29 and 31 by amendments to other Standards and creation of new Standards (see also principle 2.8). Where the Board decides that it is not necessary to retain certain material, provide the rationale in the Exposure Draft proposing the withdrawal of AASs 27, 29 and 31;

### **2.3 Topic-based Standards:**

Locate requirements in topic-based Standards, rather than industry-based Standards, applicable to all entities for which the topic is pertinent;

---

<sup>1</sup> The principles outlined in this paper are drafted within the context of the existing *Conceptual Framework*. In the longer term, work of the IASB, FASB, IPSASB and other national Standard Setters may have implications for the *Conceptual Framework*, including from a not-for-profit/public sector perspective. This paper does not contemplate in detail the likely impact of that work. However, as noted in section 3.3(o) of this Paper, the AASB intends monitoring the work and will consider its implications in the Australian context in due course.

## **2.4 Existing Standards:**

Use existing Australian-equivalents-to-IFRSs or other Australian Accounting Standards, which are topic-based Standards, as the vehicles for prescribing requirements for not-for-profit public sector entities where appropriate;

## **2.5 New single-topic Standard:**

Where a topic is substantive but not addressed or it is not appropriate for it to be addressed in an existing Australian Accounting Standard, create a stand-alone single topic-specific Standard (eg budget reporting and GAAP/GFS convergence);

## **2.6 New multi-topic Standard**

Where disclosure topics are not individually substantive but warrant the authority of a Standard and are not addressed or it is not appropriate for them to be addressed in existing Australian Accounting Standards, create a stand-alone multi-topic-based Standard;

## **2.7 Reference to other Standard setting bodies:**

Where relevant, and in the absence of a compelling reason to do otherwise, seek consistency with the International Accounting Standards Board's (IASB's) International Financial Reporting Standards (IFRSs), New Zealand's equivalents to IFRSs and the International Public Sector Accounting Standards Board's (IPSASB's) International Public Sector Accounting Standards (IPSASs). Also monitor the work of those bodies; and

## **2.8 Issues associated with removal of AASs 27, 29 and 31:**

### **(a) Definition, recognition and measurement:**

Where not-for-profit public sector specific guidance on definition, recognition and measurement issues is needed and currently addressed in AASs 27, 29 and/or 31, it should be retained/amended and incorporated into other Standards to coincide with the withdrawal of AASs 27, 29 and 31; and

### **(b) Disclosure:**

Where not-for-profit public sector specific guidance on disclosure issues is needed and addressed in AASs 27, 29 and/or 31, it should be retained/amended and incorporated into other Standards by amendment to existing Standards or creation of new topic-based Standards, issued to coincide with the withdrawal of AASs 27, 29 and 31.<sup>2</sup> Where the Board identifies that the existing guidance can be improved, the improvements should be undertaken, time and resources permitting, to coincide with withdrawal. Where time and resources do not permit, the guidance in AASs 27, 29 and 31 should be retained unamended, located in topic-based Standards, and improvements progressed in line with section 3.3 'Ongoing public sector issues'.

## **3. ACTIONS:**

### **3.1 Engagement of Constituents**

#### **(a) Consultation**

Identify key constituents, including Heads of Treasuries Accounting and Reporting Advisory Committee (HOTARAC), National Local Government Financial Management Forum (NLGFMF), Australasian Council of Auditors-General (ACAG), Australasian Council of Public Accounts Committees

---

<sup>2</sup> It may be appropriate for some disclosures to be required by Standards that address definition, recognition and measurement issues, rather than being contained in a disclosure specific Standard, for example paragraphs 12.2(a)-(d) of AAS 29, which require disclosure of separate classes of non-exchange revenue.

(ACPAC) and CPA Australia, The Institute of Chartered Accountants in Australia (ICAA) and the National Institute of Accountants (NIA) and engage them prior to implementing the strategy, and consult with them throughout the process.

**(b) Expert Groups**

Identify individuals to be invited to join expert groups to progress particular technical issues, identified in section 3.3 below, on a topic-by-topic basis at the time the topic is being initiated.

### **3.2 Withdrawal of AASs 27, 29 and 31 and related matters**

**(a) Land under roads:**

(i) Include in the 'withdrawal' ED a proposal to issue a Standard that retains the transitional relief for land under roads and allow it to lapse<sup>3</sup> and specify requirements for the subsequent transition to AASB 116.

**(b) Restructure of administrative arrangements:**

(i) Propose amendments to AASB 1004 in the withdrawal ED.<sup>4</sup>  
(ii) Amend AASB 1004 to coincide with the withdrawal of AASs 27, 29 and 31.

**(c) Restructure of local governments:**

(i) Retain unamended, for now (see Action 3.3(d) below), paragraph Aus13.4 of AASB 127 and amend the 'Compliance with IAS 27' statement that accompanies AASB 127 to note that compliance with paragraph Aus13.4 may not result in compliance with IAS 27.  
(ii) It is not necessary to amend other Standards in relation to this issue on the withdrawal of AAS 27, as the general principles expressed in AASB 3 or AASB 1004, as applicable, for a transferee and AASB 5 or other relevant standards for a transferor are appropriate and adequate.

**(d) Liabilities arising from public policies:**

(i) Include proposals for amending AASB 137 in the withdrawal ED to effectively scope out, in respect of not-for-profit public sector entities, obligations arising from local government and government budget policies and grandfather current practice in relation to those obligations. The ED will also note the implications this may have for compliance with IAS 37.  
(ii) Amend AASB 137 to coincide with the withdrawal of AASs 27, 29 and 31.

---

<sup>3</sup> The year ending 30 June 2007 is effectively the last year for which entities would have a choice in relation to the accounting for land under roads, therefore, the retention of transitional relief is particularly pertinent to entities that may elect to early adopt the proposals for the withdrawal of AASs 27, 29 and 31.

<sup>4</sup> At its October 2005 meeting, the AASB decided to propose that AASB 1004 be amended to require a transfer arising as a consequence of a 'restructure of administrative arrangements' to be treated as a distribution to owners by the transferor and a contribution by owners by the transferee. The Board clarified that a transfer of assets and liabilities should be accounted for on a net basis. The ED will note that it is not intended that the proposed requirements necessarily be applied, by analogy, to restructures of commonly controlled private sector entities, which are scoped out of AASB 3. The ED will also propose that certain disclosures about restructures of administrative arrangements be required by AASB 1004.

- (e) ***Local governments, government departments and governments as reporting entities:***
- (i) It is not necessary to amend the other Standard(s) to coincide with the withdrawal of AASs 27, 29 and 31 on this issue. The definition of reporting entity in AASB 3, combined with the guidance in SAC 1, is adequate for ensuring that current practice in identifying the existence of a reporting entity is continued.
- (f) ***Net cost of services format of the income statement:***
- (i) It is not necessary to amend the other Standard(s) to coincide with the withdrawal of AASs 27, 29 and 31 on this issue. The existing acknowledgement that the net cost of services format of the income statement is a valid format in certain circumstances contained in AASB 107 and AASB 101, including the Australian Implementation Guidance in AASB 101, is adequate.
- (g) ***Non-exchange revenue:***
- (i) Consider comments on ED 144 *Proposed Australian Guidance to accompany AASB 1004 Contributions* (open for comment until 5 December 2005). Subject to the outcome of that consideration, the guidance to AASB 1004 should be issued no later than the withdrawal of AASs 27, 29 and 31. If the guidance is issued prior to the withdrawal of AASs 27, 29 and 31, it should be available for adoption by local governments, government departments and governments prior to withdrawal, irrespective of the current override provisions in AASs 27, 29 and 31. Where local governments, government departments and governments elect to adopt AASB 1004, accompanied by guidance, prior to the withdrawal of AASs 27, 29 and 31, the other consequential effects of withdrawal should not also be required to be adopted.
- (h) ***Other matters of consequence:***
- (i) Undertake a paragraph by paragraph analysis of AASs 27, 29 and 31 to identifying any other matters addressed in those Standards that are not included in items (a) to (h) immediately above that warrant retention (or amendment where appropriate – see section 2.8 above). Examples include disclosures of administered items, compliance with appropriations and classification according to function or activity, disaggregated information and segment reporting. Where time and resources permit, any improvements to the existing requirements in AASs 27, 29 and 31 will be processed to coincide with withdrawal. However, if time and resources do not permit, the improvements should be progressed in line with section 3.3 ‘Ongoing public sector issues’. In the interim, the current requirements in AASs 27, 29 and 31 should be retained unamended in topic-based standards.
- (i) ***AASs 27, 29 and 31:***
- (i) Include in the withdrawal ED proposals for the withdrawal of AASs 27, 29 and 31 and leave other Standards, amended where appropriate, to apply in their own right. Seek comment on the date of withdrawal – for applicability for the year ending 30 June 2007 with early adoption of the effect of withdrawal permitted.

- (ii) Remove any references to AASs 27, 29 and 31 contained in other Standards (eg paragraphs Aus2.2 and Aus2.4 of AASB 5, paragraphs Aus14.2(b) of AASB 101 and Aus1.3 of AASB 114).

### 3.3 Ongoing public sector issues<sup>5</sup>

- (a) ***Definition of not-for-profit entity:***
  - (i) Consider an issues paper on the current definition of not-for-profit entity in AASB 136 and whether it is adequate.
- (b) ***Non-exchange revenue:***
  - (i) Continue to monitor and participate in the development of the IPSASB ED relating to non-exchange revenue. In due course, issue the IPSASB ED in Australia for comment. Subsequently, consider adopting the resulting IPSAS as an Australian Accounting Standard, if appropriate, to supersede AASB 1004.
  - (ii) Continue to monitor the IASB projects on revision to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* and on liability and revenue recognition. In due course, consider the implications of the outcomes of this work on the results of (i) immediately above.
- (c) ***Liabilities arising from public policies:***
  - (i) Continue to monitor and participate in the development of the IPSASB ED(s) relating to social policy obligations. In due course, issue the IPSASB ED(s) in Australia for comment. Subsequently, consider adopting the resulting IPSAS(s) as Australian Accounting Standards, if appropriate. This may entail amending AASB 137 to remove social policy obligations from its scope. Also consider, in due course, the implications of the IASB project revising IAS 37.
- (d) ***Control of an entity:***
  - (i) Review the current Aus paragraphs in AASB 127.<sup>6</sup>
  - (ii) Unless adequately dealt with as part of action item 3.2(h), consider the guidance in section 9 of AAS 31.
  - (iii) Issue a separate ED proposing amendments to the Aus paragraphs in AASB 127 (which may include, subject to action item 3.2(h), paragraphs from section 9 of AAS 31).
  - (iv) Issue a revised AASB 127.
- (e) ***Consolidation of for-profit entities into a not-for-profit group:***
  - (i) Consider an issues paper.
- (f) ***Measurement of contributions by owners as owners***
  - (i) Consider an issues paper addressing the measurement of contributions by owners as owners and the extent to which AASB 1004 should address the issues.

<sup>5</sup> As noted in section 3.1(b) above, expert groups may be established for any or all of the items listed below. The need for and composition of an expert group for a particular topic will be assessed at the time the topic is commenced.

<sup>6</sup> The AASB discussed the concept of control in a public sector context in relation to AASB 127 during the AASB meeting held on 3-4 March 2004. Minute item 3(g) of that meeting records the Board's decision to:

“include the guidance relating to public sector entities within AAS 24 *Consolidated Financial Reports* as Aus paragraphs within AASB 127 (the Board agreed that it would reconsider this guidance at a later date with any proposed amendments being subject to due process).”

- (g) **Service Concessions:**
- (i) Continue monitoring IFRIC's work on its service concessions EDs.
  - (ii) Depending on the outcome of (i) immediately above, participate in and monitor IASB/IPSASB work that might arise.
  - (iii) In the interim, consider a submission that may be forthcoming from HOTARAC regarding FRS 5 Application Note F, and consider its possible place in the hierarchy.
- (h) **Heritage Assets:**
- (i) Unless adequately dealt with as part of action item 3.2(h), consider an issues paper.
  - (ii) Continue to monitor the IPSASB project being undertaken in partnership with the UK ASB.<sup>7</sup>
- (i) **Classification according to function or activity, disaggregated information and segment reporting:**
- (i) Unless adequately dealt with as part of action item 3.2(h), subject to the timing of (ii) immediately below, issue a separate ED, applicable to all not-for-profit entities, that proposes the disaggregated information disclosure requirements that are proposed in AASB ED 142 *Financial Reporting of General Government Sectors by Governments*, to the extent those proposals do not address specific GAAP/GFS convergence issues.
  - (ii) Develop and issue a separate ED based on the IASB/FASB convergence project on segment reporting having regard to IPSAS 18 *Segment Reporting*, up-dated to be consistent with Australian-equivalents-to-IFRSs. Depending on timing, this ED may replace the ED contemplated in (i) immediately above.
- (j) **Budget reporting:**
- (i) Issue a separate ED, applicable to, at least, all not-for-profit public sector entities, that, subject to the Board's review of comments on AASB ED 142, proposes the budgetary information requirements that are proposed in AASB ED 142. The ED should also address issues relating to disclosures about compliance with appropriations, unless they are adequately dealt with as part of action item 3.2(h).
  - (ii) Continue to monitor and participate in the development of the IPSASB ED relating to budget reporting.
- (k) **Administered items:**
- (i) Unless adequately dealt with as part of action item 3.2(h), develop and issue a separate ED based on agenda paper 9.2 of the July 2005 AASB meeting addressing disclosure requirements for administered items (and, potentially, items managed but not controlled on behalf of third parties and items held only on a custodial basis) applicable to all not-for-profit public sector entities.
- (l) **Related party disclosures:**
- (i) Consider whether the soon to be amended AASB 124 *Related Party Disclosures*<sup>8</sup>, including matters relating to director and executive

<sup>7</sup> The project is in its initial stages of developing a UK Discussion Paper/IPSASB Research Report. Australia is a member of the IPSASB sub-committee.

<sup>8</sup> Draft AASB ED *Director and Executive Disclosures by Disclosing Entities: Revision, Removal of AASB 1046 and Addition to AASB 124* proposes that the key management personnel disclosure requirements in AASB 124 be extended to address those relating to directors and executives currently

remuneration, should apply to all not-for-profit public sector reporting entities<sup>9</sup>. In the process of considering that, also consider the suitability of IPSAS 20 in an Australian context.

**(m) Other disclosures: restricted assets, non-compliance and performance indicators:**<sup>10</sup>

- (i) To the extent they are not adequately addressed in other Standards or dealt with as part of action item 3.2(h), develop and issue a separate ‘other disclosures’ ED applicable to not-for-profit public sector entities.

**(n) GAAP/GFS convergence:**

- (i) Continue progressing the GAAP/GFS convergence issues as a separate project in three phases:

- Phase 1: financial reporting by the Australian government and State and Territory governments and the sectors therein (General Government Sector [the focus of ED 142], Public Non-Financial Corporations sector and Public Financial Corporations sector);
  - Phase 2: financial reporting by entities with the General Government Sector, including government departments; and
  - Phase 3: financial reporting by other public sector entities, including local governments, universities and government business enterprises.
- The implications of GAAP/GFS convergence on Standards should be contemplated in due course.<sup>11</sup>

- (ii) Monitor the IPSASB project.

**(o) Other framework issues:**

- (i) Consider the implications for not-for-profit public sector entities in a review of the *Conceptual Framework*. For example, the definition of ‘reporting entity’ should be considered in a not-for-profit public sector context.

---

located in AASB 1046 *Director and Executive Disclosures by Disclosing Entities* and that AAS 22 *Related Party Disclosures* be withdrawn in favour of AASB 124 in respect of for-profit non-corporate entities.

<sup>9</sup> Not-for-profit non-corporate entities are excluded from the scope of AASB 124.

<sup>10</sup> In relation to performance indicators, currently AASs 27, 29 and 31 only prescribe the characteristics that the indicators must possess if an entity elects to make disclosures. If Standards were to prescribe the disclosure of performance indicators, given the substantive nature of such a requirement, it would be appropriate to locate them in a stand-alone Standard.

<sup>11</sup> In due course, the outcome of the GAAP/GFS convergence project may lead to a review of certain aspects of the *Conceptual Framework*. AASB ED 142 *Financial Reporting of General Government Sectors by Governments* (issued July 2005), proposes to treat a general government sector (GGS) financial report that does not consolidate government controlled entities that are located outside the GGS as a general purpose financial report. The Preface notes: “The AASB intends that, if the Exposure Draft’s proposals are adopted, they would be considered by the Board in its review of the definitions of “reporting entity” and “general purpose financial report” in the *Conceptual Framework*. The AASB will consider the issue in the context of its review of comments made on the Exposure Draft’s proposals.”



#### 4. TIMETABLE:

ACTION	2005		2006									
	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct+
3.1(a) Consultation	Consult throughout the process, including prior to implementing the strategy											
3.2(a) Land under roads	In-principle decision made				Finalise relevant aspects of ED	Issue ED containing relevant aspects				Consider ED comments		<b>Subject to process, issue Standard retaining land under roads transitionals</b>
3.2(b) Restructure of administrative arrangements	In-principle decision made				Consider relevant aspects of draft ED; finalise ED	Issue ED containing proposals for amendments to AASB 1004				Consider ED comments		<b>Subject to process, issue amended AASB 1004</b>
3.2(c) Restructure of local governments	In-principle decision made				Consider relevant aspects of draft ED; finalise ED	Issue ED containing proposals for amendments to the Compliance with IAS 27 statement that accompanies AASB 127				Consider ED comments		<b>Subject to process, issue amended Compliance with IAS 27 statement that accompanies AASB 127</b>
3.2(d) and 3.3(c) Liabilities arising from public policies	In-principle decision made				Consider relevant aspects of draft ED; finalise ED  Issue ED based on IPSASB ED (if available)	Issue ED containing proposals for amendments to AASB 137				Consider ED comments  Comment on IPSASB ED		<b>Subject to process, issue amended AASB 137</b>  Issue Std based on IPSAS, if appropriate, and subject to process, amend AASB 137
3.2(e) Local governments, government departments and governments as reporting entities	In-principle decision made				Consider relevant aspects of draft ED; finalise ED	Issue ED				Consider ED comments		<b>Subject to process, withdraw AASs 27, 29 &amp; 31 without amending other Standards for this issue</b>

ACTION	2005		2006									
	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct+
3.2(f) Net cost of services format of the income statement	In-principle decision made				Consider relevant aspects of draft ED; finalise ED	Issue ED			Consider ED comments		<b>Subject to process, withdraw AASs 27, 29 &amp; 31 without amending other Standards for this issue</b>	
3.2(g) and 3.3(b) Non-exchange revenue	ED 144 issued	Consider comments on ED 144		<b>Subject to process, issue guidance to AASB 1004 and facilitate adoption by local governments, government departments and governments irrespective of the override provisions in AASs 27,29,31</b>		Issue ED based on IPSASB ED (if available)			Comment on IPSASB ED			Issue Standard based on IPSAS, if appropriate, and subject to process, withdraw AASB 1004
3.2(h) Other matters of consequence				Consider para by para review of AASs 27, 29 & 31 and decide on how to deal with identified issues	Consider relevant aspects of draft ED; finalise ED	Issue ED			Consider ED comments		<b>Subject to process, withdraw AASs 27, 29 &amp; 31 and issue amended/created standards</b>	
3.2(i) Withdraw AASs 27, 29 & 31					Consider draft ED; Finalise relevant aspects of ED	Issue ED containing relevant aspects			Consider ED comments		<b>Subject to process, withdraw AASs 27, 29 &amp; 31</b>	
3.3(a) Definition of not-for-profit entity				Consider issues paper								
3.3(d) Control of an entity									Consider issues paper re amendments		Consider draft ED	Issue ED; consider ED comments; subject to

ACTION	2005		2006									
	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct+
									to AASB 127			process, issue revised AASB 127
3.3(e) Measurement of contributions by owners as owners										Consider issues paper		
3.3(f) Service concessions	Monitor IFRIC/ IASB/ IPSASB											
3.3(g) Heritage assets	Monitor IPSASB						Consider issues paper					
3.3(h) Classification according to function or activity, disaggregated information and segment reporting		Consider proposals for dealing with segment reporting in the NFP/public sector		Consider draft ED	Issue ED based on disaggregated information disclosure proposals in ED 142  AND/OR  Issue ED based on IASB/FASB convergence project having regard to IPSAS 18				Consider ED comments		Consider draft Standard; subject to process, issue Standard	
3.3(i) Budget reporting				Comment on IPSASB ED 27		Issue ED based on budgetary information proposals in ED 142, subject to review of comments on ED 142				Consider ED comments		Consider draft Standard; Subject to process, issue Standard
3.3(j) Administered items					Consider draft ED			Issue ED			Consider comments on ED	Consider draft Standard; subject to process, issue Standard
3.3(k) Related												Consider

ACTION	2005		2006									
	nov	dec	jan	feb	mar	apr	may	jun	jul	aug	sep	oct+
party disclosures												issues paper
3.3(l) Other disclosures: restricted assets, non-compliance and performance indicators								Consider issues paper		Consider draft ED (unless adequately dealt with as part of action item 3.2(h))		Finalise ED; Issue ED; Consider comments on ED; subject to process, issue Standard
3.3(m) GAAP/GFS convergence		Review responses to ED 142		Continue review of responses to ED 142			Consider draft Standard relating to GGS				Issue Standard relating to GGS	Consider issues for other entities
3.3(n) Other framework issues	Monitor IASB/FASB/IPSASB Conceptual Framework projects						Consider issues paper on the reporting entity					

## **5. RELATIONSHIP OF TOPIC-SPECIFIC STANDARDS TO PUBLIC SECTOR ENTITIES**

The matrix in this section provides a high level summary of the relationship between current requirements/guidance in AASs 27, 29 and 31 and other Standards. The extent to which current requirements/guidance in AASs 27, 29 and 31 will be retained is subject to a detailed paragraph by paragraph review contemplated in action item 3.2(h).

Where an issue is described in the second column of the following table as “not explicitly addressed in a generic Standard”, a new home would need to be found for the relevant requirements. Otherwise, the issues are or could be dealt with in the context of the topic-based Standards identified.

Issue	Generic requirement is in or could be located in topic-specific pronouncements	Local Governments (AAS 27/ED 125)	Australian, State & Territory Governments (AAS 31)	General Government Sector (ED 142)	Public Non-Financial Corporations & Public Financial Corporations Sectors	Government Departments (AAS 29)	Other not-for-profit public sector entities (statutory authorities, universities)	For-profit public sector entities
					No specific Standard – generic requirements would not treat the sectors as separate reporting entities		No specific requirements – generic requirements (including NFP Aus paragraphs) would apply in their own right	No specific requirements – generic requirements (excluding NFP Aus paragraphs) would apply in their own right
Reporting entity	SAC 1 (it is also defined in AASB 3)	Para 4-7/Section 5	Para 8.1-8.1.2	Para 5-6		Section 5		
Definition of not-for-profit entity	AASB 136.Aus6.2							
Materiality	AASB 1031	Para 10-11/ Section 4	Section 5			Para 1.2.1		
Compliance with Standards or other Authority	AASB 101.13-22	Para 13-16/Para 6.2-6.2.1, section 14	Section 6 & 7	Para 7-17		Section 4		
Qualitative characteristics	Framework		Section 4					
Consolidation	AASB 127	Para 17-20/Silent	Para 8.2-8.2.5	Para 18-23		Para 5.3-5.3.3		
Control of entities	AASB 127: Aus13.1-Aus13.5		Section 9			Para 5.2-5.2.6		
Financial statements	AASB 101, 107	Para 21-32/ Section 6	Section 10, para 15.3-15.4.2, para 15.7-15.11.1	Para 24-43		Section 6, para 12.5-12.5.2		
Net cost of services format of income statement	AASB 101 (including Aust Implementation Guidance), 107					Para 6.3, 6.3.5, 6.3.10, alternative 1 in the appendix		
Asset recognition criteria	AASB 116 et al	Para 33-35/Silent	Para 11.1-11.1.3			Para 7.1-7.1.2		
Asset measurement	AASB 116 et al	Para 36-44/Silent	Para 11.2-11.3.2			Para 7.2-7.5		
Heritage assets	AASB 116					Para 7.4.5-7.4.7		
Depreciation	AASB 116	Para 45-48/Silent	Para 11.4-11.4.2			Para 7.6-7.6.1		
Service concessions	Not explicitly addressed in a Standard, although arguably AASB 117 applies							
Liability recognition criteria & liabilities assumed by other entities	AASB 137, 139 & 1004	Para 49-50/Silent	Section 12, para 15.5-15.5.3			Section 8, para 12.9.7-12.9.10		
Liabilities arising from public policies	AASB 137, IPSASB project		Para 12.1.2			Para 8.1.4		

Issue	Generic requirement is in or could be located in topic-specific pronouncements	Local Governments (AAS 27/ED 125)	Australian, State & Territory Governments (AAS 31)	General Government Sector (ED 142)	Public Non-Financial Corporations & Public Financial Corporations Sectors	Government Departments (AAS 29)	Other not-for-profit public sector entities (statutory authorities, universities)	For-profit public sector entities
Agreements equally proportionately unperformed	Unnecessary because there is no specific requirement to recognise all assets and liabilities	Para 51-55/Silent	Section 17			Section 9		
Revenue & expense recognition criteria	AASB 1004, 118, Framework	Para 56-58/Silent	Section 13			Section 10		
Contributions	AASB 1004, IPSASB project	Para 59-70/ Section 8	Section 14			Para 10.5-10.5.17, 10.10-10.12.9		
Restructure of administrative arrangements	AASB 3/AASB 1004 (transferee) & AASB 5 (transferor)					Para 7.4, 10.6-10.9.3 & 12.8-12.8.1		
Restructure of local governments	AASB 3/AASB 1004	Para 71-75/ Section 7						
Contributions by owners and distributions to owners	Not explicitly addressed in a generic Standard (however, see UIG 1038)					Section 11		
Assets discovered that had inadvertently previously been unrecognised	AASB 108 (correction of errors)	Silent/Section 10	Para 11.2.4					
Disclosures								
Classification according to nature or type	AASB 101	Para 76-85/Silent	Para 15.1-15.1.1			Para 12.1-12.2.7		
Recognition policy for tax revenues	AASB 101		Para 15.2-15.2.1					
Classification according to function or activity	AASB 114/ IPSAS 18	Para 86-89/Section 11						
Disaggregated information	AASB 114/ IPSAS 18		Para 15.12-15.12.2	Para 49-52				
Service costs and achievements	AASB 114/IPSAS 18					Para 12.7-12.7.4		
Restricted assets	Only specifically for AASB 138.122(d) & AASB 141.49(a)	Para 90-91/ Section 12				Para 12.3-12.3.1		

Issue	Generic requirement is in or could be located in topic-specific pronouncements	Local Governments (AAS 27/ED 125)	Australian, State & Territory Governments (AAS 31)	General Government Sector (ED 142)	Public Non-Financial Corporations & Public Financial Corporations Sectors	Government Departments (AAS 29)	Other not-for-profit public sector entities (statutory authorities, universities)	For-profit public sector entities
Conditions on contributions	Not explicitly addressed in a generic Standard. Could be located in AASB 1004	Para 92-93/ Section 13				Para 12.4-12.4.1		
Capital expenditure commitments	AASB 101.Aus126.7	Para 94/Silent	Para 15.6					
Reporting on compliance	AASB 101.13-22 re compliance with Standards	Para 95-97/ Sections 14 & 15						
Performance indicators	Not explicitly addressed in a generic Standard	Para 98-99/ Section 16	Section 16	Para 53-56		Para 12.10-12.10.1		
Compliance with appropriations	Not explicitly addressed in a generic Standard					Para 12.6-12.6.4		
Budget reporting	Not explicitly addressed in a generic Standard (however, see IPSASB project)	Para 26/ Section 17		Para 57-62				
Administered items	Not explicitly addressed in a generic Standard					Para 6.3.11 & 6.3.12 and Para 12.9-12.9.6		
Related party disclosures	AASB 124/IPSAS 20							
Frequency, timeliness and availability of GPFR	Not explicitly addressed in a generic Standard (arguably unnecessary because covered by legislation in each jurisdiction)	Para 100-103/ Silent	Section 18			Section 13		
Comparative information	AASB 101.36-41	Para 104-105/ Silent	Section 19			Section 16		
Transition								
Land under roads	AASB 116	Para 108-113/ Section 9	Para 21.1-21.4			Para 15.1-15.4.2		



## APPENDIX A

The body of this paper has focused on the immediate implications of the AASB's decision to withdraw AASs 27, 29 and 31 and the consequential urgent need to address certain definition, recognition, measurement and disclosure issues (see in particular section 3.2).

The following summarises the implications of withdrawal from a longer term perspective, within the context of the existing *Conceptual Framework*, relative to the short-term actions proposed to be taken given the interrelationship between the various current pronouncements and the AASB's policies of:

- (a) convergence with IASB pronouncements;
- (b) convergence with IPSASB pronouncements; and
- (c) sector neutrality and therefore topic-based Standards.

### 1. Definition, recognition and measurement issues

#### *1.1 Issues related to revenue recognition (including contributions by owners and restructures)*

Currently, in the absence of AASs 27, 29 & 31: AASB 118, AASB 120, AASB 1004, AASB 3, AASB 5, and Interpretation 1038 are relevant.

On or before withdrawal of AASs 27, 29 & 31: add guidance to AASB 1004, and allow adoption by local governments, government departments and governments even before withdrawal, irrespective of the override provisions in AASs 27, 29 and 31.

On withdrawal of AASs 27, 29 & 31: address accounting for restructures of administrative arrangements by transferees and transferors in AASB 1004, and address accounting for restructures of local governments appropriately.

In due course: address identification and measurement of contributions by owners in AASB 1004, consider impact of IPSASB project on revenue from non-exchange transactions and consider impact of IASB projects on liability and revenue recognition and revisions to IAS 20.

#### *1.2 Liabilities arising from Public Policies*

Currently, in the absence of AASs 27, 29 & 31: AASB 137 is relevant.

On withdrawal of AASs 27, 29 & 31: amend AASB 137 to scope out, in respect of not-for-profit public sector entities, obligations arising from local government and government budget policies, election promises or statements of intent, and effectively grandfather current practice in relation to those obligations. The Compliance with IAS 37 statement that accompanies AASB 137 should reflect this position.

In due course: consider the impact of IPSASB's social policy obligations project and consider the impact of IASB's revisions to IAS 37 project.

#### *1.3 Control of an entity*

Currently, in the absence of AASs 27, 29 & 31: AASB 127 is relevant.

On withdrawal of AASs 27, 29 & 31: consider retaining guidance contained in section 9 of AAS 31.

In due course: revise the guidance in AASB 127, which may include guidance from section 9 of AAS 31.

#### *1.4 Service Concessions*

Currently, in the absence of AASs 27, 29 & 31: arguably AASB 117 is relevant.

On withdrawal of AASs 27, 29 & 31: no action is necessary.

In due course: depending on timing, initially consider suitability of the UK's FRS 5 Application Note F, and the IFRIC work, and monitor and participate in IASB/IPSASB work.

### ***1.5 Heritage Assets***

Currently, in the absence of AASs 27, 29 & 31: AASB 116 is relevant.

On withdrawal of AASs 27, 29 & 31: consider retaining the current guidance in AAS 29.

In due course: develop an issues paper and monitor and participate in IPSASB/UK ASB work.

## **2. Disclosure**

### ***2.1 Segment Reporting***

Currently, in the absence of AASs 27, 29 & 31: there are no relevant Standards, AASB 114 is not applicable to not-for-profit entities.

On withdrawal of AASs 27, 29 and 31: consider retaining the current guidance in AASs 27, 29 and 31 relating to classification according to function or activity/disaggregated information.

In due course: depending on timing, initially consider adopting ED 142 proposals re disaggregated information and subsequently consider IASB/FASB convergence work having regard to IPSAS 18.

### ***2.2 Budget Reporting***

Currently, in the absence of AASs 27, 29 & 31: there are no relevant Standards.

On withdrawal of AASs 27, 29 & 31: consider retaining the current guidance in AAS 27.

In due course: subject to review of AASB ED 142 comments, consider adopting ED 142 proposals re budget reporting.

### ***2.3 Administered Items***

Currently, in the absence of AASs 27, 29 & 31: there are no relevant Standards.

On withdrawal of AASs 27, 29 & 31: consider retaining the current requirements in AAS 29, unless time and resources permit a review of those requirements to coincide with withdrawal.

In due course: unless resolved on withdrawal, initially issue a separate ED and subsequently monitor any work that IPSASB may undertake.

### ***2.4 Related Party Disclosures***

Currently, in the absence of AASs 27, 29 & 31: there are no relevant Standards, AASB 124 is not applicable to not-for-profit entities.

On withdrawal of AASs 27, 29 & 31: no action is necessary.

In due course: consider the soon to be amended AASB 124 and IPSAS 20 in the Australian public sector context.

### ***2.5 Other Disclosures***

Currently, in the absence of AASs 27, 29 & 31: there are no relevant Standards.

On withdrawal of AASs 27, 29 & 31: consider retaining the current requirements in AASs 27, 29 and 31, unless time and resources permit a review of those requirements to coincide with withdrawal.

In due course: unless resolved on withdrawal, consider whether it is necessary to develop an ED.