

30 November 2018

Ms Kris Peach
Chairman
Australian Accounting Standards Board
PO Box 204
Collins Street West
Victoria 8007

Submission via website: www.aasb.gov.au

Dear Kris

Submission on ITC 41: The AASB's Approach to International Public Sector Accounting Standards

We welcome the opportunity to provide feedback on the Invitation to Comment ("the ITC"). We commend the AASB for its work to date in relation to the public sector, including Research Reports and Discussion Papers to promote improvements in public sector reporting that meet accountability objectives in the most cost-effective way.

Proposed conditions

It is unclear how the factors in paragraph 23 interrelate with the events in paragraph 24 and therefore it is unclear what the process is to get to a formal consultation. For example; at what point is approval from the Australian Financial Reporting Council (FRC) required?

Paragraph 23 says *"To move to IPSAS for the public sector, the AASB would require ... the results of widespread outreach to support the move. To start such a consultation process, the AASB is proposing that it considers whether the following factors are present: ..."* Then one of the factors is *"a significant level of feedback from constituents that a move to IPSAS is desired"* which appears to create a circular argument. Normally feedback is received in response to a consultation, yet here it seems feedback is required to initiate a consultation.

The other nine factors are largely subjective and in our view should be the topic of a formal consultation, not pre-conditions to commence a formal consultation – the existence of which is determined by the AASB in isolation. Therefore we recommend a formal consultation is carried

out to ascertain stakeholder's current views on the factors in paragraph 23 to better inform the broader debate around adoption of IPSAS. This can also act as a baseline for the AASB in the future to determine whether the event in paragraph 24(a) of "*IPSAS make substantive progress or changes that the AASB consider would significantly affect its assessment of the factors outlined in paragraph 23*" has indeed occurred.

In relation to the event in paragraph 24(b), given the pace of change in the current environment, we believe five years is too long for a default assessment period.

We surveyed our members to understand the current sentiment around adoption of IPSAS by NFP public sector entities in Australia. The outcomes of this research highlighted that the greatest perceived barriers currently are:

- Transition costs for preparers to ascertain the differences between the two sets of accounting standards, system changes and training.
- Maintenance of two sets of accounting standards (including two conceptual frameworks) for the AASB.
- Any time lag between IFRS and IPSAS development would give rise to differences between the sectors (otherwise referred to as "mixed groups" issues).

When asked about the relative importance of the factors in paragraph 23, our members considered the top three to be:

1. (c) IPSAS continue to be based on IFRS, departing from IFRS only to the extent appropriate for public sector issues.
2. (f) Users of public sector financial statements indicate that the AASB's current NFP standard-setting framework based on IFRS is not providing sufficiently tailored information.
3. (a) Governance and oversight arrangements of the IPSASB continue to contribute to the setting of high-quality, independent standards, and Australia has appropriate and adequate opportunities to contribute to and influence the development of such standards.

In summary, there is general support for trans-Tasman harmonisation in accounting standards for the public sector, although there are mixed levels of support for both IPSAS and IFRS amongst our members.

Involvement in IPSASB standard-setting processes

We support the AASB's strategy to maintain a significant level of interaction with the IPSASB. This includes but is not limited to; making formal submissions, providing the technical advisor to the Australian IPSASB member and holding regular meetings with representatives of the IPSASB.

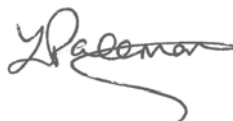
The Appendix provides information about Chartered Accountants Australia and New Zealand. If you have any questions about our submission, please contact Zowie Pateman, Deputy Leader – Reporting and Assurance, at Zowie.Pateman@charteredaccountantsanz.com.

Yours sincerely



Simon Grant FCA ACCA

Group Executive, Advocacy and Professional Standing
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Appendix

About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 120,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.