



20 August 2007

Mr David Boymal
Chairman
Australian Accounting Standards Board
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Dear David

Exposure Draft 155: Financial Reporting by Whole-of-Governments

Thank you for the opportunity to comment on Exposure Draft 155: *Financial Reporting by Whole-of-Governments*.

CPA Australia supports the FRC's objective of harmonising GFS and GAAP "to achieve an Australian accounting standard for a single set of Government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements". CPA Australia believes strongly that this objective be observed in all GFS and GAAP harmonisation initiatives.

As the ASSB has also issued ED 156 *Short Term Review of AAS 27, 29 and 31*, CPA Australia believes that it is important that the AASB considers the implications of, and response to, ED 156 prior to issuing the standard arising out of ED155.

Our detailed comments on the specific matters raised in the Exposure Draft are attached to this letter. Should you have any queries on our comments, please contact Chee Ng our Public Sector Policy Adviser at cheemin.ng@cpaustralia.com.au.

Yours sincerely

Geoff Rankin FCPA
Chief Executive Officer

cc: C Ng

CPA Australia's Response to ED 155 Financial Reporting by Whole of Governments

(a) the Board's intention to amend AASB 1049 to reflect its decisions arising out of this Exposure Draft and thereby issue a single integrated Standard that specifies requirements for both whole of government financial reports (incorporating GGS, PNFC sector and PFC sector financial information) and GGS financial reports;

CPA Australia supports a single integrated standard given the close relationship between the sectors and the whole-of-government.

CPA Australia does recognise that, while this is an onerous task, it is a necessary one.

(b) the Board's intention to base whole of government general purpose financial reporting requirements on the principles adopted in AASB 1049 for GGS financial reporting;

CPA Australia supports this approach as it results in consistency in reporting and avoids any confusion had separate basis been followed.

c) the treatment of transactions with owners as owners and between the GGS and the PNFC/PFC sectors. They may also occur in a whole of government context in relation to partly owned subsidiaries. The Board is particularly interested in views on whether the differential treatment of transactions with owners as owners and movements in reserves is appropriate;

CPA Australia considers the approach proposed in the Exposure Draft appropriate.

(d) sector information (paragraphs 41-46). Given the potentially onerous nature of a requirement to disclose the financial statements and reconciliation notes for the GGS, PNFC sector and PFC sector in the whole of government financial report, the Board is particularly interested in views on whether the proposal in this Exposure Draft would provide the most effective way to meet users' needs for sector information;

CPA Australia believes that this is a presentation issue and considers the disclosures necessary.

(e) budgetary information (paragraphs 47-53). The Board is particularly interested in interested in views on whether:

- (i) whole of government budgetary information should only be required to be disclosed where whole of government budgeted financial statements are presented to parliament; and**
- (ii) sector budgetary information should not be required to be disclosed in the whole of government financial report;**

CPA Australia supports:

- that the whole of government budgetary information should only be required to be disclosed where whole of government budgeted financial statements are presented to Parliament; and
- that sector budgetary information should not be required to be disclosed in the whole of government financial report.

(f) transitional requirements (paragraph 54). In particular, the Board is proposed, which is to require the principles in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors to apply to the first whole of government financial report prepared in accordance with the proposals in this Exposure Draft;

CPA Australia the transitional requirements proposed in the Exposure Draft.

(g) whether, overall, the proposals would result in financial reports that would be useful to users; and

CPA Australia believes that the real test is the increasing use of the financial statements proposed by users and the phasing out of reports produced under the Uniform Reporting Format.

(h) whether the proposals are in the best interest of the Australian economy.

CPA Australia believes that this will only be achieved:

- when the FRC's objective of harmonising GFS and GAAP "to achieve an Australian accounting standard for a single set of Government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements" is realised; and
- increasing use of the financial reports and data produced proposed by the Exposure Draft by the users including the Australian Loan Council.