



Kris Peach  
Chair  
Australian Accounting Standards Board  
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via email: [standard@aab.gov.au](mailto:standard@aab.gov.au)

27 November 2018

Dear Kris

**Re: Invitation to Comment ITC 41 *The AASB's Approach to International Public Sector Accounting Standards***

PwC welcomes the opportunity to comment on the AASB's approach to International Public Sector Accounting Standards (**IPSAS**) and appreciates the time that the AASB has spent considering whether public sector-specific issues, as well as not-for-profit issues more broadly, could be better resolved by the adoption of IPSAS in Australia.

We do not consider that the timing is right for Australia to adopt IPSAS as issued by the International Public Sector Accounting Standards Board (**IPSASB**). This is primarily because certain key elements of IPSAS are still in development when compared with IFRS, which would mean further differences arising between public and private sector accounting in Australia. While we have not undertaken a thorough review of the differences between the two sets of standards, the adoption of IPSAS would conflict with the AASB's policy of transaction neutrality, based on separate conceptual frameworks.

We would also note that, in developing AASB 1049 *Whole of Government and General Government Sector Financial Reporting (AASB 1049)*, the AASB first considered GAAP/GFS harmonisation issues from a General Government Sector (**GGS**) with the objective of limiting the extent of differences between IFRS and Government Finance Statistics (**GFS**) reporting. Therefore, we would also suggest that the AASB assess whether adopting IPSAS at this time would be sufficiently aligned to that objective.

In response, specifically, to the matters for comment, we note the following:

**(a) The proposed conditions necessary for the AASB to adopt IPSAS for not-for-profit public sector accounting.**

We agree with the proposed conditions necessary for the AASB to adopt IPSAS for not-for-profit public sector accounting, as outlined on pages 6 and 7 of ITC 41.

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**(b) Additional conditions the AASB should consider.**

In addition to the conditions identified by the AASB, we note that further consideration needs to be given as to how the fair value measurement requirements are to be applied by public sector and not-for-profit entities to ensure a consistent application. These issues will need to be addressed and resolved irrespective of which accounting framework is applied to these entities, without raising issues of non-compliance.

**(c) Potential precedence of some conditions over others.**

In order for us to fully support the adoption of IPSAS in Australia, we would expect to see strong evidence of the following key conditions:

- A strong, independent IPSASB governance framework, supported by adequate funding and resources; and
- An assessment by the AASB of the differences between IPSAS and current Australian Accounting Standards, as issued, based on IFRS.

**(d) The AASB's level of involvement in IPSASB standard-setting processes.**

A key concern around the adoption of, and transition to, IPSAS is the level of influence that the AASB would have in the Standard setting process. As the Standards are set internationally, there is a risk that Australian influence would be dependent on members of the IPSASB. While this is no different to the standard setting process at the IASB, the additional consideration would be the ability to actively manage any differences that would emerge in the future between IPSAS and IFRS. Accordingly, as noted in our key conditions precedent outlined above, we would expect to see the AASB sufficiently involved in the IPSASB standard-setting process prior to adoption to ensure they have a role in shaping the future development of these Standards.

**(e) Other significant facts that the AASB should consider.**

We have not identified any other significant facts that the AASB should consider.

I would welcome the opportunity to discuss our firm's views at your convenience. Please contact me on (02) 8266 0309 or [sean.rugers@pwc.com](mailto:sean.rugers@pwc.com) if you would like to discuss our comments further.

Yours sincerely,

A handwritten signature in blue ink that reads 'S Rutgers'.

**Sean Rutgers**

Partner, PricewaterhouseCoopers