



ACT
Government

Chief Minister and Treasury

Ms Stephenie Fox
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017 United States of America

Dear Ms Fox

Consultation Paper – The Applicability of IPSASs to Government Business Enterprises and Other Public Sector Entities

The Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board (IPSASB) on *Consultation Paper (CP) – The Applicability of IPSASs to Government Business Enterprises (GBEs) and Other Public Sector Entities*.

HoTARAC is an intergovernmental committee that advises Australian Heads of Treasuries on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

HoTARAC commends the IPSASB's ongoing efforts in developing specific requirements and guidance for the public sector. HoTARAC is supportive of IPSASB's CP as it proposes a worthwhile clarification on the range of entities for which IPSASs are intended. In Australia we adopt a transaction neutral approach by applying Australian equivalents to International Financial Reporting Standards (IFRSs) and do not adopt IPSASs. However, IPSASs inform future standard and policy setting and sometimes are used as guidance by financial statements preparers in the absence of specific IFRS equivalent requirements.

HoTARAC agrees with IPSASB's preliminary view (PV). The attachment to this letter sets out HoTARAC's comments on each Specific Matter for Comment.

If you have any queries regarding these comments, please contact Kaveh Daemi from New South Wales Treasury on +61 2 9228 3019 or by email to kaveh.daemi@treasury.nsw.gov.au.

Yours sincerely

David Nicol
Chair

Heads of Treasuries Accounting and Reporting Advisory Committee

4 December 2014

Specific Matters for Comment 1

Do you agree with the IPSASB's PV? If so, do you prefer Option 1a or Option 1b? Please give the reasons for your view.

HoTARAC agrees with IPSASB's PV and prefers Approach 1 over Approach 2 as it focuses on describing the characteristics of public sector entities for which IPSASs are intended and that will be useful in guiding standard setting.

With an attempt to define what is a GBE or is not a GBE (i.e. Approach 2), there is a risk an entity may fall outside of the scope of both definitions, or the entity could be captured by the definition in a way the IPSASB did not intend. For example, currently IPSAS 1 defines a GBE as an entity that has all of a number of characteristics, including 'is controlled by a public sector entity'. In Australia, some State Owned Corporations we believe should be considered GBEs fall outside of IPSASB's definition because they are owned by the Ministers on behalf of the State, and not by a public sector entity.

HoTARAC supports Option 1a as it uses principles that focus on the fundamental characteristics of public sector entities which in turn determine which set of accounting standards should be applied. Option 1a also provides flexibility for relevant regulators and authorities to determine the applicability of IPSASs to certain public sector entities. In Australia we adopt a transaction neutral framework which requires like transactions and events to be accounted for in a like manner for all types of entities. Australian accounting standards recognise that not-for-profit entities are unique and may have different types of transactions as compared to for-profit entities. As such, our standards include additional guidance for not-for-profit entities in the private and public sectors where appropriate. This approach is consistent with the intention to apply IPSASs to entities that are not profit-oriented.

Option 1b proposes using GFS entity classification guidelines for determining which entities should apply IPSASs. We do not support this approach because the proposed criteria under Option 1b are based on principles that are not specifically derived for financial reporting purposes. Instead, it is based on statistical reporting requirements/concepts. Another reason for not supporting Option 1b is that it will be difficult for IPSASB to control or predict future changes of GFS entity classification guidelines and the impact it may have on IPSASs.

In Australia we use GFS guidelines to distinguish between "General Government Sector" and "Public Trading Enterprises". This is for determining which sector the entities are reported in, but not for the purposes of determining which set of accounting standards should be applied. We believe that for the purposes of financial reporting Option 1a is more relevant and we would expect that well developed principles under Option 1a would be consistent with GFS.

Specific Matters for Comment 2

If you do not agree with the IPSASB's PV, please indicate whether you support Option 2a or Option 2b in Approach 2 or identify an alternative approach. Please give the reasons for your view.

HoTARAC agrees with IPSASB's PV. Refer to response to Specific Matters for Comment 1.