

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates 14 – 15 February 2007

Question: aet133 (FRC)

Topic: Simpkins Report Update

Hansard Page: E86

Senator WONG asked:

Mr Macek, because of the time I will put this question on notice. I want an update on the Simpkins report on a sector-neutral approach for accounting standards for the for-profit and for the public, government not-for-profit sectors. Where are you at with that? You gave me some detail subsequent to our last hearing about that. I did ask some questions yesterday, of which you are probably aware, of the AASB on this issue.

Mr Macek—With regard to the ongoing review of the Simpkins report—

Senator WONG—For time purposes I was actually asking if you could take that on notice.

Mr Macek—Right, but I could give you a 30-second update. We have a meeting of the FRC scheduled for next Monday with a special agenda, and this will be the main topic that we will be considering.

Senator WONG—We look forward to further activity.

Answer:—The FRC considered the public comments on the Simpkins' report on sector neutral accounting standards at its meeting held on 19 February 2007.

As reported in the corresponding Bulletin for the meeting, the FRC had a wide-ranging discussion about the public comments on the Simpkins' report *A review of the policy of sector-neutral accounting standard setting in Australia*. The public consultation, which was structured around 10 matters related to standard setting, attracted a total of 19 submissions from stakeholders.

The Council identified the key issues arising from the submissions as:

- the desire for a conceptual framework that adequately reflects the needs of the three sectors (for profit, public sector and not-for-profit);
- the need for a statement of user needs; and
- the provision of sector specific guidance.

The meeting observed that the issue of greatest concern to stakeholders was the need for a conceptual framework covering the needs of all three sectors which, in itself, should address the need for a statement of user needs. Australia's current conceptual framework focuses on the needs of the 'for profit' sector, an approach that is consistent with that adopted in comparable jurisdictions. While conscious of the difficulties in dealing with all three sectors in the same conceptual framework, the FRC noted a number of recent developments which are either currently providing or will in the future provide guidance for the public sector:

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- the issuing of accounting standard AASB 1049 *Financial Reporting of General Government Sectors by Governments*, which assists the public sector by providing it with a workable set of accounting standards for its financial reporting needs; and
- the current project of the International Public Sector Accounting Standards Board to develop a conceptual framework for public sector.

The meeting considered whether the Australian Accounting Standards Board (AASB) should press on with its own project for the development of its own conceptual framework for the public and non-for-profit sectors noting that, in the case of these sectors, the need for international comparability was not compelling or a priority. Professor David Boymal, Chairman of the AASB, argued that, in his view, Australia should contribute to the IPSASB project as an international solution is better than a local solution.

Specific issues associated with the not-for-profit sector were also considered by the FRC. In particular, concerns were noted about the relevance of using IFRS accounting standards for most not-for-profit entities which have particular accountability and stewardship financial reporting needs. Professor Boymal informed the meeting that the AASB is meeting with representative groups in the not-for-profit sector to discuss issues associated with their financial reporting needs and that some of these issues will be addressed through the current project on differential reporting.

On the need for a statement of user needs, the Council concluded that as the conceptual framework should be based on the needs of users, there is no need for a separate statement. Council also considered the issue of sector specific guidance and noted, in particular, the positive experience in New Zealand with the use of non-authoritative guidance in addressing the financial reporting needs of public benefit entities.

In wrapping up its consideration of this matter, FRC:

- noted that the needs of users for a single conceptual framework are not currently being met;
- took comfort from the level of progress, both in Australia and internationally, over the last 12 months on public sector issues;
- noted that the AASB's priorities for 2007 are progressing issues in respect of public and not-for-profit sector accounting; and
- agreed to review progress in dealing with those issues that are of relevance to the not-for-profit sector in mid 2008.