



Australian Government

Department of Finance and Administration

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Ms Sarah Bachelard
Secretary
Parliamentary Joint Committee on Corporations and Financial Services
Suite SG.64
Parliament House
Canberra ACT 2600

Dear Ms Bachelard

Inquiry into Australian Accounting Standards

Thank you for the opportunity to make a written submission to the Joint Committee on Corporations and Financial Services' inquiry into the Australian Accounting Standards tabled in the Senate on 30 August 2004 and 16 November 2004.

We note that the focus of the inquiry is the *Corporations Act 2001*. While Commonwealth companies, of which there are twenty-seven, prepare financial reports under that Act, all other Australian Government entities, and the Australian Government, prepare financial statements pursuant to the Financial Management and Accountability (FMA) Act and the Commonwealth Authorities and Companies (CAC) Act. This submission does not purport to represent the views of Commonwealth companies, nor to comment on whether the proposed Australian Accounting Standards are consistent with, or further the objectives of, the Corporations Act. Rather, we seek to present a public sector perspective on this process from the standpoint of the Department of Finance and Administration.

It has been the policy of successive Australian Governments that the financial reports of Australian Government agencies and authorities should follow the accounting standards and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB). The Finance Minister's Orders under the FMA Act and the CAC Act give legal effect to this policy. The Department therefore has an interest in the proposed Australian Accounting Standards currently before the Parliament.

During the development of the proposed Australian Accounting Standards, the Department worked closely with State and Territory Treasuries to provide the AASB with comments on all draft Standards relevant to the public sector. This was done through the Heads of Treasuries Accounting and Reporting Advisory Committee with the objective of providing the AASB with views representing all jurisdictions, consistent with the approach adopted by

the Group of 100 companies. Comments were copied to the International Accounting Standards Board, where appropriate.

We note that the AASB is required to follow due process. We appreciate that the time allowed for that process had to be truncated in some cases to achieve the deadlines set by the Financial Reporting Council. Nevertheless the Department feels the public sector received a fair hearing.

The Australian Government is now moving ahead with transitioning to the new Standards in 2005-06. The Department has progressively issued guidance material to agencies on the key changes expected to arise from this process.

We note that there is a range of public sector accounting issues on the AASB's forward work program that has necessarily been delayed due to the development of the new Australian Accounting Standards. We look forward to the AASB now giving a higher priority to these matters.

Yours sincerely

Jonathan Hutson
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Financial Management Group
24 January 2005