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Sir David Tweedie  
Chairman  
International Accounting Standards Board  
30 Cannon Street  
LONDON EC4M6XH

Dear Sir David

**EXPOSURE DRAFT – PREFACE TO INTERNATIONAL FINANCIAL REPORTING  
STANDARDS**

Heads of Treasuries Accounting and Reporting Advisory Committee (HOTARAC) is a Standing Advisory Committee of the Australian Heads of Commonwealth, State and Territory Treasuries (HoTs) which provides advice on contemporary financial accounting and reporting issues. HOTARAC focuses on accounting standards, exposure drafts and emerging accounting issues in the public sector.

HOTARAC welcomes the opportunity you have provided to respond to the IASB Exposure Draft 'Preface to International Financial Reporting Standards (IFRS)'. Our interest is in relation to question one, regarding the scope and authority of IASB standards. The issue is whether it is appropriate for IFRS to be designed to apply to the general purpose financial statements of profit-oriented entities only, leaving the Public Sector Committee of the International Federation of Accountants (PSC) to prepare accounting standards for governments and other public sector entities based on IFRS.

HOTARAC has a strong preference for a single body to be responsible for all accounting standards regardless of the nature of the entities to which those standards apply. Our view is that this will lead to better quality standards for all entities, but most particularly to those which apply to the public sector. It will also ensure greater consistency of standards (and the content of individual standards) between those which apply widely and those which have more limited application to the public sector.

That said, there are a number of accounting issues peculiar to the public sector that require special attention from standard setters. While HOTARAC supports the concept of a single body for setting accounting standards, to date, the track record of standard setting bodies in dealing with public sector specific issues has been patchy at best. HOTARAC believes that these public sector issues need to be better recognised by standard setters. Standard setting boards need to have amongst their members, individuals who are experienced and knowledgeable in the public sector and public sector reporting issues. Those boards need to be supported by staff with high quality expertise on public sector issues. Adequate resources must be provided to deal with public sector issues.

In addition, standard setters need to recognise the existing frameworks for reporting in the public sector including the IMF's Government Finance Statistics framework and the System of National Accounts.

Relatively recently, the Australian Accounting Standards Board (AASB) was re-established, among other things, to integrate public and private sector standard setting responsibilities in Australia under a single body. This is expected to contribute towards the establishment of a single set of accounting standards for both public and private sectors in Australia.

The AASB has a stated goal to harmonise with international accounting standards. It has already chosen the IFRS as its harmonisation model, and a corollary of that decision could be for the PSC of IFAC to advise the IASB on any public sector peculiarities that need to be incorporated into particular IFRS.

Subject to satisfactory resolution by the IASB of the issues outlined above, HOTARAC would strongly encourage the extension of the role of the IASB to the public sector. The Committee would encourage the IASB to consider a merger path with the PSC as a means of achieving a single standard setting body for both sectors, without upsetting the existing work programs for private and public sectors of the two bodies.

Thank you for the opportunity to provide comment on this issue.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'D W Challen', with a long horizontal flourish extending to the right.

D W Challen

**CHAIR**

**HEADS OF TREASURIES ACCOUNTING AND  
REPORTING ADVISORY COMMITTEE**

12 February 2002