



**AEIFRS**

**Implementation Plan**  
**For the General Government Sector**

January 2005  
Department of Treasury and Finance

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## 1. Introduction

In July 2002, the Financial Reporting Council (FRC) made a decision that Australia would adopt International Accounting Standards (IAS) for all reporting periods beginning on or after 1 January 2005. At the same time, the FRC issued a strategic direction that requires the Australian Accounting Standards Board (AASB) to pursue the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) for public sector reporting (GAAP/GFS harmonisation).

In June 2004, the AASB completed the issue of 40 new or revised Accounting Standards together with a number of AASB Urgent Issues Group Interpretations, through which the International Financial Reporting Standards (IFRS) will apply within Australia. The Australian Standards are known as Australian Equivalents to International Financial Reporting Standards (AEIFRS).

The decision by Australia's standard-setters to harmonise with International Financial Reporting Standards from 1 January 2005 has important implications for financial reporting and budgeting at both the General Government Sector (GGS) entity and whole-of-government levels. The financial statements produced by GGS entities need to meet AEIFRS requirements and GGS entity budgets are developed on the basis of the Australian Accounting Standards. The State of Tasmania's Consolidated Financial Statements also must meet the new standards.

The purpose of developing an AEIFRS Implementation Plan for the General Government Sector is to ensure that:

- ◆ all GGS entities produce general purpose financial statements that comply with AEIFRS for the reporting period ending 30 June 2006;
- ◆ the State of Tasmania's consolidated general purpose financial statements for the reporting period ending 30 June 2006 are AEIFRS compliant; and
- ◆ the budget impacts of AEIFRS implementation are taken into consideration when developing the 2005-06 Budget.

## 2. AEIFRS Implementation Plan Principles

The AEIFRS Implementation Plan reflects the following principles:

- ◆ clearly defined GGS entity, Treasury and Tasmanian Audit Office roles;
- ◆ consistent application of AEIFRS options, interpretations and standards across the GGS;
- ◆ agreed Plan milestones; and
- ◆ relevant, consistent and timely information and training about AEIFRS implementation issues.

The adoption of AEIFRS requires the review of 40 new accounting standards and an assessment of their impact upon each individual GGS entity from an accounting, financial reporting and budgeting perspective. Appropriate changes to systems and processes must be implemented to enable the production of the financial information required to comply with AEIFRS. These tasks must occur within a defined period and will be impacted by any changes associated with the AASB's GAAP/GFS Harmonisation Project and the issuing of a revised AAS 29 *Financial Reporting by Government Departments*.

### 3. Implementation Timetable

The implementation of AEIFRS is the first of a series of significant accounting policy changes that will take effect during 2004-05 to 2006-07. The public sector specific Accounting Standards, AAS 29 *Financial Reporting by Government Departments* and AAS 31 *Financial Reporting by Governments* are currently under review. The AASB’s GAAP/GFS Harmonisation Project will also be finalised during this period.

Table 1 summarises the anticipated changes in accounting policies over the next three financial years:

**Table 1 – Changes in Accounting Policies 2004-05 to 2006-07**

	2003-04	2004-05	2005-06	2006-07
Current GAAP				
AEIFRS		Comparatives	Full statements	
GAAP/GFS and AAS 29?			Possible timing	Likely timing

GGS entities, the Tasmanian Audit Office and Treasury must also undertake specific actions in order to ensure compliance with the AEIFRS implementation requirements. These actions will occur through four phases:

- ◆ Phase 1 - Planning and Analysis
- ◆ Phase 2 – Budget and System Review
- ◆ Phase 3 – Training and Restate Comparatives
- ◆ Phase 4 – Statement Preparation

Attachment 1 *AEIFRS Implementation Action Timetable* lists required actions for GGS entities, the Tasmanian Audit Office and Treasury within each of the Phases.

## 4. Responsibilities for Implementing AEIFRS

GGs entities have primary responsibility for undertaking changes at the entity level associated with AEIFRS adoption. However, there are important synergies to be gained by Treasury and the Tasmanian Audit Office assisting agencies with the implementation process. The AEIFRS implementation within the GGS should represent a collaborative effort between GGS entities, Treasury and the Tasmanian Audit Office.

This section describes the responsibilities of each GGS entity, Treasury and the Tasmanian Audit Office in broad terms. More detailed responsibilities are included in Attachment 1.

### 4.1 GGS Entity Responsibilities

Responsibility for implementation of AEIFRS within each Agency will rest with the Head of Agency. The Chief Financial Officer (CFO), or equivalent, within each GGS entity should have the delegated responsibility for ensuring the entity meets its responsibilities under the AEIFRS Implementation Plan. Depending on the size of the entity and its activities, the CFO may need to appoint a project team to oversee the implementation or, alternatively, the CFO will directly oversee the individual implementation activities. These activities include:

- ◆ raising awareness of changes and implications of adopting AEIFRS to the relevant Minister, Head of Agency, Chief Executive Officer (CEO) or Board;
- ◆ determine the relevant AEIFRS standards that will impact on the Agency
- ◆ assessing the implications of AEIFRS adoption on:
  - values presented in budgets and financial reports;
  - financial management systems, processes and policies; and
  - people e.g. training needs and workloads over the implementation period.
- ◆ advising any significant financial reporting impacts of AEIFRS to Treasury on an ongoing basis;
- ◆ changing systems and financial reporting changes to accommodate the requirements of the AEIFRS and Treasurer's Instructions;
- ◆ determining and recommending accounting policy changes required; and
- ◆ advising Treasury on progress in implementing AEIFRS.

## 4.2 Treasury Responsibilities

Treasury will be the lead agency for AEIFRS implementation, reflecting its roles as preparer of government financial reports and budgets and as the developer of accounting policy for the GGS sector.

Within Treasury, the Government Finance and Accounting Branch (GFAB) will have primary responsibility for the implementation of the Plan. A key priority for GFAB will be keeping both internal and external stakeholders (including the Treasurer, GGS entities and the Tasmanian Audit Office) fully informed concerning AEIFRS implementation issues. Of overriding importance is the impact that the adoption of AEIFRS will have on headline Budget measures and other Fiscal Strategy targets. Secondly, Treasury needs to provide consistent and accurate advice to agencies and other stakeholders.

Treasury undertakes whole-of-government reporting and will consider the implications of the AEIFRS changes on the State of Tasmania's Consolidated Financial Statements prepared in accordance with AAS 31.

In summary, Treasury is responsible for:

- ◆ monitoring the AEIFRS implementation process;
- ◆ issuing Treasurer's Instructions;
- ◆ monitoring developments in related areas of accounting policy (in Tasmania and nationally);
- ◆ developing accounting policies associated with the AEIFRS implementation;
- ◆ advising and training GGS entities; and
- ◆ keeping all stakeholders informed.

## 4.3 Tasmanian Audit Office Responsibilities

The Tasmanian Audit Office undertakes the audit function for the GGS. As such, it will examine the interpretations placed upon the AEIFRS as reflected in the note disclosures for the 2004-05 financial statements and the 2005-06 financial statements produced by GGS entities and the State of Tasmania. As part of this process, the Tasmanian Audit Office intends to audit each GGS entity's opening Balance Sheet (as at 1 July 2004) and restated on an AEIFRS basis by 30 April 2005. The 2004-05 financial statements restated on an AEIFRS basis will also need to be audited by 30 April 2006. The Tasmanian Audit Office must have sufficient opportunity to comment and provide feedback on the interpretations proposed by GGS entities to ensure they are acceptable for audit purposes.

The Tasmanian Audit Office will develop a timetable for the audit of whole-of-government and GGS entity transition Balance Sheets and comparative period disclosures.

## 5. Information and Training

### 5.1 Information

The public sector will face several years of ongoing changes to financial reporting requirements, commencing with the implementation of AEIFRS during 2004-05 to 2006-07. As a consequence, the AEIFRS implementation will take place in a rapidly changing environment that may affect the course of the implementation.

Treasury must inform stakeholders in a timely and relevant way if it is to assist the AEIFRS implementation. Treasury must also keep stakeholders informed with regard to the potential effects of AEIFRS implementation (for example, impacts on financial outcomes).

GGs stakeholders that will be affected by the implementation of AEIFRS include:

- ◆ the Treasurer and Cabinet;
- ◆ GGS entities, their senior management and finance staff;
- ◆ Treasury; and
- ◆ the Auditor-General and his staff.

In order to ensure that consistent advice is provided to agencies and other stakeholders, Treasury, through its Accounting Policy Unit, will act as the first point of contact for stakeholders and will be responsible for keeping all stakeholders informed. Treasury will also maintain a register of all issues raised and act as a “helpdesk” for entities.

GGs entities must keep Treasury informed concerning the AEIFRS implementation and, in particular, advise of issues that arise as part of the implementation that may require additional policy advice or are likely to be of interest to other GGS entities.

**Treasury responsibilities** in relation to informing stakeholders are to:

- ◆ advise stakeholders on AEIFRS implementation issues in a timely and relevant way; and
- ◆ assist GGS entities on accounting policy and other issues associated with the AEIFRS implementation.

**GGs entity responsibilities** in relation to informing stakeholders are to:

- ◆ advise Treasury on progress in the AEIFRS implementation; and
- ◆ advise Treasury of issues that arise as part of the implementation that may require additional policy advice or are of general interest to GGS entities.

## 5.2 Training

There is already a considerable amount of information available in the public domain to assist both Treasury and agencies with identifying major changes, including analysis provided by CPA Australia, other Australian Treasuries and other accounting bodies. In addition, the major accounting firms are developing training programs. A number of these training programs contain public sector content and could be adapted by agencies for use in Tasmania. However, there will also be training “gaps”, possibly relating to Tasmanian specific processes, Treasurer’s Instructions and interpretations.

The changes associated with AEIFRS are, in some instances, complex and specialist training may be required to gain sufficient proficiency. This will be the case particularly for those officers developing policies and giving advice to GGS entities on AEIFRS implementation issues.

**Treasury responsibilities** in relation to AEIFRS specific training are to:

- ◆ identify and evaluate available training options;
- ◆ identify “gaps” in available training and ensure suitable training material is available;
- ◆ advise GGS entities of suitable training material and courses; and
- ◆ ensure Treasury staff providing advice to GGS entities on the AEIFRS implementation are appropriately trained.

**GGS entity responsibilities** in relation to training are to:

- ◆ ensure all relevant staff are fully informed of changes;
- ◆ evaluate material provided by Treasury and other sources on available training options; and
- ◆ ensure staff undertaking the AEIFRS implementation are appropriately trained.

## 6. AEIFRS Implementation

The first time adoption of AEIFRS represents the transition to the new standards.

AASB 1 *First Time Adoption of Australian Equivalents to International Financial Reporting Standards* (AEIFRS) outlines the requirements on initial adoption of AEIFRS. Each GGS entity needs to review each standard and assess its impact in order to retrospectively apply the new AEIFRS from the beginning of the first comparative period in the first AEIFRS financial report (i.e. 1 July 2004). The restatement of comparative information means the application of two sets of accounting standards during the transition year – current Australian pronouncements and AEIFRS.

The implementation process will involve not only accounting and financial reporting, but will impact upon the budget estimates process and the underpinning financial management systems and processes across these areas. In summary, the AEIFRS implementation will impact three main areas of GGS entity operation:

- ◆ accounting and financial reporting;
- ◆ budgeting; and
- ◆ financial management systems.

### 6.1 Accounting and Financial Reporting

Treasury will monitor ongoing developments in relation to accounting and financial reporting. It will also provide a high level overview of the new AEIFRS and raise general implementation issues for entity consideration. Treasury will issue various Treasurer's Instructions and advice on interpretations as part of the implementation process. These accounting policies will be developed in consultation with the Tasmanian Audit Office and GGS entities.

Treasury will liaise with the Tasmanian Audit Office and GGS entities in relation to proposed amendments to Treasurer's Instructions and interpretations of AEIFRS. The Tasmanian Audit Office will develop an audit program that enables the review, as part of the interim audit program for 2004-05, of whole-of-government and GGS entity transition Balance Sheets and comparative period disclosures. Any issues with the AEIFRS disclosures will therefore be raised as part of the audit management representation letter.

GGS entities will restate accounting and financial report information and produce their 2005-06 financial statements on an AEIFRS compliant basis.

**Treasury responsibilities** in relation to accounting and financial reporting are to:

- ◆ analyse the new AEIFRS and identify major changes for the GGS;
- ◆ identify implementation issues of general interest;
- ◆ monitor accounting policy developments in relation to GAAP/GFS harmonisation and the review of AAS 29 that may impact on AEIFRS implementation;
- ◆ consult with the Tasmanian Audit Office regarding proposed accounting policies;

- ◆ develop new or amended Treasurer’s Instructions (TIs) and guidance for GGS entities including revised 2005-06 Model Financial Statements by February 2005; and
- ◆ provide a “helpdesk” service to GGS entities and maintain a register of issues raised.

**GGs entity responsibilities** in relation to accounting and financial reporting are to:

- ◆ restate the 1 July 2004 Balance Sheet on the basis of AEIFRS;
- ◆ prepare 2004-05 financial statements on the basis of current GAAP and on the basis of AEIFRS;
- ◆ prepare 2005-06 financial statements on the basis of AEIFRS; and
- ◆ arrange for the audit of all financial statements and opening Balance Sheet information.

**Tasmanian Audit Office responsibilities** in relation to accounting and financial reporting are to:

- ◆ incorporate the review of AEIFRS opening balances as part of the interim audit program for 2004-05
- ◆ develop an audit program for 2005-06 that enables the audit of restated financial statements necessary for the production of the 2005-06 financial statements.

## 6.2 Budgeting

The AEIFRS implementation will impact upon Budget estimates for 2005-06. Treasury will advise the Treasurer and Cabinet of any significant potential impacts on budgeted and reported results. Of overriding importance is the impact that the adoption of AEIFRS will have on headline Budget measures and other Fiscal Strategy targets.

Tasmania’s Budget presentation is based on GFS for the individual GGS Budget (Budget Paper No 1) and Generally Accepted Accounting Principles (GAAP) for GGS entities (Budget Paper No 2). In the 2005-06 Budget, only the material impacts of the change to AEIFRS will be taken into account. All AEIFRS changes associated with the AEIFRS implementation, including changes to presentation will be adopted from the 2006-07 Budget.

Treasury will consider the overall Budget implications of the adoption of AEIFRS and advise the Government. This assessment will be based upon information provided by GGS entities. GGS entities and Treasury may also need to include additional material relating to the AEIFRS implementation in the Budget Papers.

**Treasury responsibilities** in relation to budgeting are to:

- ◆ provide advice to GGS entities on how to identify material impacts of the AEIFRS for the 2005-06 Budget;
- ◆ provide a template for including commentary on the implementation of AEIFRS for inclusion in GGS entity Budget chapters in 2005-06 and 2006-07;
- ◆ provide guidance to agencies on entering variations into the Budget Management and Financial Reporting System (BMFRS) to reflect the impact on 2005-06 opening balances; and
- ◆ describe the significant impacts of AEIFRS in the 2005-06 Budget Papers.

**GGG entity responsibilities** in relation to budgeting are to:

- ◆ analyse the impact of AEIFRS on the entity budget estimates to identify any material impacts and advise Treasury during the 2005-06 Budget preparation process;
- ◆ describe the material impacts of AEIFRS adoption in the 2005-06 GGS entity Budget chapter; and
- ◆ identify all changes associated with the AEIFRS implementation during the 2006-07 Budget process, including impacts on forward estimates.

### 6.3 Systems

Changes to financial reporting and budgeting associated with the AEIFRS implementation will require changes to the structure and content of information collected, stored and reported within financial management systems used for the preparation of both individual GGS entity, and whole-of-government, financial and budget reports.

GGG entities need to review existing processes and systems to ensure that they can produce AEIFRS compliant financial reports and comparatives, including those prepared for whole-of-government reporting. This review should also include budget information requirements, the Chart of Accounts, statement preparation procedures and system reports. Similarly, Treasury needs to review State Budget and whole-of-government reporting processes and systems to ensure they are appropriate to produce required information.

**Treasury responsibilities** in relation to systems are to:






- ◆ review financial, budgeting and reporting systems and processes to identify changes associated with AEIFRS adoption;
- ◆ review the BMFRS Chart of Accounts for 2005-06;
- ◆ review processes for whole-of-government data collection for 2005-06;
- ◆ review reports used to extract whole-of-government financial information;
- ◆ amend relevant Budget Management System (BMS) reports for Budget Paper No 2, as required; and
- ◆ review agency Chart of Accounts mapping.

**GGG entity responsibilities** in relation to systems are to:

- ◆ review BMFRS and internal Charts of Accounts and provide to Treasury for review;
- ◆ review financial, budgeting and reporting systems and processes to identify changes associated with AEIFRS adoption; and
- ◆ review and amend financial, reporting and budget systems, as required.

## 7. Key Contacts

### 7.1 Treasury Contacts

Name	Position	Contact Details
Debbie Sadler	Assistant Director	 <a href="mailto:debbie.sadler@treasury.tas.gov.au">debbie.sadler@treasury.tas.gov.au</a>  6233 3729
Rachel Johnston	Senior Financial Analyst	 <a href="mailto:rachel.johnston@treasury.tas.gov.au">rachel.johnston@treasury.tas.gov.au</a>  6233 3857
AEIFRS Helpdesk		 <a href="mailto:fintraining@treasury.tas.gov.au">fintraining@treasury.tas.gov.au</a>

## AEIFRS Implementation Action Timetable

Treasury actions	GGs entity actions
<b>PHASE 1 – PLANNING AND ANALYSIS</b>	
<ul style="list-style-type: none"> <li>◆ Prepare and issue an AEIFRS Implementation Plan for the General Government Sector (GGS) which includes:               <ul style="list-style-type: none"> <li>- roles and responsibilities of agencies, Treasury and the Tasmanian Audit Office;</li> <li>- an overview of the AEIFRS and identifies major changes for the GGS;</li> <li>- key implementation questions for entities to consider;</li> <li>- an implementation timetable.</li> </ul> </li> <li>◆ Develop new or amended Treasurer’s Instructions (TIs) and guidance for GGS entities concerning the options available under AEIFRS.</li> <li>◆ Establish a “helpdesk” service for GGS entities and maintain a register of issues raised.</li> <li>◆ Ensure Treasury staff providing advice to GGS entities on the AEIFRS implementation are appropriately trained.</li> <li>◆ Provide template commentary on the implementation of AEIFRS for inclusion in GGS entity Budget chapters.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Review financial, budgeting and reporting systems.</li> <li>◆ Analyse the impact of AEIFRS on the entity budget estimates and advise Treasury of the changes</li> </ul>
<b>31 January 2005</b>	

**Treasury actions****GGG entity actions****PHASE 2 – BUDGET AND SYSTEM REVIEW  
2005-06 BUDGET CYCLE**

- ◆ Review whole-of-government financial, budgeting and reporting systems and processes to identify changes associated with adoption of material AEIFRS impacts in the 2005-06 Budget.
- ◆ Identify changes required to Budget Management System reports (for 2005-06 Budget Papers).
- ◆ Provide guidance to agencies on entering variations into BMFRS to reflect impact on 2005-06 opening balances.
- ◆ Review BMFRS Chart of Accounts for 2005-06 Budget to incorporate material changes associated with AEIFRS impacts.
- ◆ Review processes for whole-of-government data collection, to incorporate changes associated with material AEIFRS impacts.
- ◆ Review reports used to extract whole-of-government financial information.
- ◆ Develop and implement additional BMS reports, if required.

- ◆ Review Budget Management Financial Reporting System (BMFRS) and internal Charts of Accounts and provide to Treasury for review
- ◆ Review entity financial, budgeting and reporting systems and processes to identify changes associated with AEIFRS adoption
- ◆ Revise GGS entity forward estimates to incorporate material changes associated with AEIFRS impacts.

**28 February 2005**

## Treasury actions

## GGG entity actions

### PHASE 3 – TRAINING AND RESTATE COMPARATIVES

- ◆ Identify and evaluate available AEIFRS training options.
- ◆ Identify “AEIFRS training gaps” in available training and advise GGS entities of suitable training material and courses.
- ◆ Describe the more significant impacts of AEIFRS in Budget Paper No 1.
- ◆ Prepare and issue an AEIFRS compliant set of Model Financial Statements.
- ◆ Amend existing TIs, and issue any further TIs, associated with the AEIFRS implementation.

- ◆ Describe the material impacts of AEIFRS adoption in the GGS entity chapter in Budget Paper No 2.
- ◆ Ensure all relevant staff are fully informed of the changes associated with the AEIFRS implementation.
- ◆ Evaluate material provided by Treasury and other sources on available training options.
- ◆ Ensure staff undertaking the AEIFRS implementations are appropriately trained.
- ◆ Arrange audit of opening Balance Sheet.



30 April 2005

<b>Treasury actions</b>	<b>GGs entity actions</b>
<b>PHASE 4 – CONSOLIDATION PHASE</b>	
<b>2006-07 BUDGET CYCLE, 2005-06 OUTCOMES REPORTING</b>	
<ul style="list-style-type: none"> <li>◆ Review financial, budgeting and reporting systems and processes to identify changes to accommodate remaining AEIFRS impacts in the 2006-07 Budget and forward estimates.</li> <li>◆ Review processes for whole-of-government data collection, including TFRS Mandatory Data Requirements to incorporate remaining changes associated with AEIFRS impacts.</li> <li>◆ Prepare 2004-05 whole-of-government financial statements on the basis of Australian GAAP and on the basis of AEIFRS.</li> <li>◆</li> </ul>	<ul style="list-style-type: none"> <li>◆ Prepare 2004-05 financial statements on the basis of Australian GAAP and on the basis of AEIFRS.</li> <li>◆ Ensure audit of 2004-05 financial statements prepared on the basis of Australian GAAP and on the basis of AEIFRS.</li> </ul>
<b>31 December 2005</b>	
<ul style="list-style-type: none"> <li>◆ Review impact of the AEIFRS implementation on the 2005-06 Budget and forward estimates.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Analyse the remaining impacts of the AEIFRS and incorporate into 2006-07 Budget and forward estimates.</li> </ul>
<b>28 February 2006</b>	
	<ul style="list-style-type: none"> <li>◆ Provide fully compliant AEIFRS financial statements for the entity to the Tasmanian Audit Office.</li> </ul>
<b>15 August 2006</b>	
<ul style="list-style-type: none"> <li>◆ Prepare 2005-06 whole-of-government financial statements on the basis of AEIFRS.</li> </ul>	<ul style="list-style-type: none"> <li>◆ Provide fully compliant AEIFRS information to Treasury to enable production of whole-of-government financial statements.</li> </ul>
<b>31 December 2006</b>	

### Ongoing Treasury Responsibilities

- ◆ Monitor accounting policy developments in relation to GAAP-GFS harmonisation and the review of AAS 29 that may impact the AEIFRS implementation.
  - ◆ Consult with the Tasmanian Audit Office and other jurisdictions to proposed accounting policies are appropriate.
- 