



| | | | |
|-----------------|--------------------------------------|---------------------|------------------|
| To: | AASB members | Date: | 24 November 2010 |
| From: | Robert Keys & Latif Oylan | Agenda Item: | 13.1 |
| Subject: | IMF review of GFS | File: | |

Action

- Decide on a process for providing input to the IMF's current review of GFS.

Background

The IMF has issued a draft outline for updating the *Government Finance Statistics Manual 2001 (GFSM 2001)* – see agenda paper 13.2. This is particularly relevant to the AASB because of the potential implications for AASB's GAAP/GFS Harmonisation project – if *GFSM 2001* is amended, it is expected that the ABS GFS Manual will also be amended.

Of the thirty-nine issues identified in the IMF issues paper:

- (a) the vast majority (twenty-five) arise from the objective of aligning GFS with the recently revised *System of National Accounts (SNA 2008)*;
- (b) seven arise from an objective of making corrections to and remedying omissions from GFS; and
- (c) seven arise from an objective of addressing certain presentational issues and making certain clarifications.

It is relevant to note that the IMF acknowledges the interrelationship between accounting and statistics. For example, in issue 32 of agenda paper 13.2, the proposed action states “Consideration should be given to adding an appendix on the relationship between GFSM and Public Sector Accounting Standards. Such an appendix will broadly describe the similarities and differences between accounting and statistical information and will indicate how these systems could be harmonized to provide complementary information.”

However, we think there will be limited opportunities to remove existing GAAP/GFS convergence differences, given the IMF's focus on removing SNA/GFS convergence differences.

Whilst some of the IMF draft proposals would remove existing GAAP/GFS convergence differences (eg item 15 military expenditures); others would create new GAAP/GFS convergence differences (eg item 20 recording of dividends).

Despite this, in addition to there being an opportunity for us to support the proposals that remove GAAP/GFS convergence differences, there might be an opportunity for us to suggest clarifications to GFS, to the extent they would not create SNA/GFS convergence differences. To this end, we have provided the ABS with a list of areas within GFS that we think could be clarified – see agenda paper 13.3. We identified these issues from our work on the post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Suggested Process for providing input to the IMF

The ABS is responsible for coordinating Australia's response to the IMF's proposed changes to GFS and is scheduled to circulate its in-principle responses to each of the proposals by 10 December 2010.

The IMF GFS Advisory Committee will meet in February 2011 to discuss the issues, and therefore the ABS is seeking comments from stakeholders by the end of December 2010. It is expected that there will be opportunity for further comment on the detail as the chapters are drafted.

Given the limited opportunity for furthering GAAP/GFS harmonisation through this exercise, we suggest that rather than take Board time to develop comments on the proposals, staff continue to monitor and comment to the ABS on papers when appropriate. In anticipation that substantive issues in relation to the Board's GAAP/GFS Harmonisation project might arise as the IMF's work progresses, we suggest that a sub-committee of the Board is formed, to provide a potential sounding board for the staff.

Attachments

- Agenda paper 13.2: IMF Draft Outline of Update of GFSM 2001: Issues Emerging from 2008 SNA and corrections, or clarifications of GFSM 2001 (dated November 2010) – for information only
- Agenda paper 13.3: List of AASB staff suggestions for clarifying GFS arising out of the post-implementation review of AASB 1049 – for information only