



Australian Government

Australian Accounting
Standards Board

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3 November 2010

Mr Ian Ewing
Deputy Australian Statistician
Macroeconomics and Integration Group
Australian Bureau of Statistics
Locked Bag 10
Belconnen ACT 2617

Dear Mr Ewing

GAAP/GFS harmonisation

Thank you for your letter dated 15 October 2010 relating to our post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and the scope of the ABS GFS Manual and its updating.

The Board considered your letter together with related material at its meeting on 27 October 2010, and I thought I should advise you of the proposals that the Board has decided upon.

In relation to the scope of the ABS GFS Manual, consistent with your suggestion, the Board decided that the ABS GFS Manual should be defined along the lines of "The Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* and associated updates, and guidance notes issued by the ABS, and published on the ABS website". I note your comment that it may be possible to simplify this definition given your work towards a new method of documenting Concepts, Sources and Methods. I would appreciate being informed when this work is being finalised.

In relation to updating of the ABS GFS Manual, the Board decided to specify that references to the ABS GFS Manual in Australian Accounting Standards are to the Manual that was effective on or after the beginning of the previous annual reporting period. The Board also decided to require disclosure of information about the version of the ABS GFS Manual adopted and about any GFS amendments made in a later version that have not yet had impact. Although this approach is not quite what you suggested (the Board preferred an ambulatory reference rather than a static reference to the Manual), I think 'versioning' the GFS Manual that you contemplate in your letter would still be helpful. Accordingly, I would appreciate it if you could investigate the possibility of 'versioning' the GFS Manual.

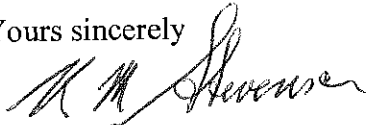
I think these decisions will help address a number of GAAP/GFS harmonisation implementation issues, and I appreciate your assistance to the Board in finding the proposed solutions.

The Board has now made all its substantive decisions for the purposes of developing an Exposure Draft proposing amendments to AASB 1049 to help improve its implementation.

The Exposure Draft will be released for public comment in due course. The AASB would appreciate receiving comments on any or all of its proposals from the ABS.

I have asked Robert Keys (Deputy Technical Director at the AASB) to contact Bernard Williams in the next couple of months to inform him of the progress being made. Robert can be contacted on rkeys@aab.gov.au or (03) 9617 7624.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Kevin M Stevenson'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Kevin M Stevenson
Chairman & CEO

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Mr Kevin M Stevenson
Chairman & CEO
Australian Accounting Standards Board
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Dear Mr Stevenson

GAAP/GFS harmonisation

Thank you for your letter to the Australian Statistician of 13 August 2010 on your post-implementation review of AASB 1049.

Your letter advised that the Board agreed on the principle that the AASB should continue to require reconciliation of GAAP to GFS. I support this outcome from the review. Your letter raised a couple of practical issues and I trust that we can work together to resolve these. Responses to your questions about the scope of the ABS GFS Manual and its updating are addressed below.

Scope of the ABS GFS Manual

The ABS GFS Manual is based on an international statistical standard (the International Monetary Fund GFS Manual) and its prime purpose is to produce statistics used to monitor the financial performance of governments and to inform on the economic impact of government activities. The GFS Manual covers concepts, sources and methods but not all of this documentation will be applicable to AASB. For statistical purposes the ABS GFS Manual consists of:

- *Australian Government Finance Statistics: Concepts, Sources and Methods* (cat. no. 5514.0) and associated updates, and
- Guidance notes issued by the ABS, and published on the ABS website. An example is the Guidance note issued on the "Treatment of Sales of Goods and Services, Taxes and Fines in Government Finance Statistics" in 2007.

It may be appropriate to include this definition in Appendix A of AASB 1049. In addition, the ABS may provide advice on the application of the GFS Manual to an individual treasury in relation to a specific current or new arrangement. The ABS may not be able to publically release this specific advice.

The ABS is working towards a new method of documenting Concepts, Sources and Methods. The new method should enable updates (e.g. the amendments to the GFS Concepts, Sources and Methods released on 13 July 2007) and guidance notes to be fully integrated into the documentation which will remove the need for separate documents. If the new method proves successful, it is planned to introduce it for GFS after the international standard is revised. At that time it may be possible to simplify the definition in Appendix A of AASB 1049.

Updating the ABS GFS Manual

Updates to the ABS GFS Manual will be required periodically as the international standard is revised, to meet other ABS statistical requirements and to ensure that Government Finance Statistics remain relevant for statistical purposes. The future availability of a new method of documenting the Manual does not mean that the documentation will necessarily be updated more frequently.

The ABS is committed to working with treasuries / departments of finance on changes to the GFS Manual with an agreed communication plan to be included in the next Memorandum of Understanding. The ABS will continue to take the impact on reporting under AASB 1049 into consideration when determining the timing for releasing updates to the ABS GFS Manual. For example, the recent update for the Treatment of Defence Weapons Platforms was delayed to the start of this financial year to avoid any confusion about what version of the standard applied last financial year for the purpose of AASB 1049.

While the ABS will continue to work with treasuries / departments of finance to ensure an orderly adoption of changes to GFS, the ABS must ensure that Government Finance Statistics remain relevant for statistical purposes. Circumstances may require a change to Government Finance Statistics (and therefore the Manual) for statistical purposes with less notice than required for the purposes of AASB. This possibility needs to be considered in addressing the concerns raised in your review. One option you might like to consider is defining, in Appendix A of AASB 1049, the GFS Manual for each financial year as the version of the Manual as at a particular date each year (e.g. 1 July). This may remove uncertainty about changes introduced during a financial year. If this would meet your requirements, the possibility of versioning the GFS Manual can be investigated.

I trust that the above addresses your concerns but if you would like to discuss further please contact Bernard Williams on bernard.williams@abs.gov.au or (02) 6252 6038.

Yours sincerely



Ian Ewing
Deputy Australian Statistician
Macroeconomics and Integration Group

15 October 2010