

EXTRACT FROM MINUTES: AASB 12-13 FEBRUARY 2003 MEETING

LIAISON WITH FRC CHAIRMAN

Agenda item 13

Mr Jeffrey Lucy, Chairman, Financial Reporting Council joined the Board to discuss FRC strategy and its implications. Mr Alfredson informed the Board that he and Mr Lucy appeared before the Senates Estimates Committee on the evening of 12 February and the morning of 13 February. Mr Lucy explained to the Board:

- (a) the process adopted by the FRC in developing its strategy;
- (b) that a constructive tension was to be expected given the respective roles of the FRC and the Board. Mr Lucy informed members that in evidence to the Senate Estimates Committee he indicated that the FRC would further discuss its public sector strategy with a view to clarifying whether or not the FRC strategy:
 - (i) impacts on all public sector entities, including government departments, local governments, universities and government business enterprises;
 - (ii) applies to the whole of government or only to the general government sector; and
 - (iii) implies adoption of GFS rules into accounting standards or that “harmonization” implies converging on the highest-quality standards;
- (b) that under the requirements of the *Australian Securities and Investments Commission Act 2001* the FRC does not have the power to direct the Board in relation to the development, or making, a particular accounting standard. The Board was advised in response to the concerns expressed by the AASB Chairman to the FRC Chairman that it was not the intention of the FRC to interfere in the development of an accounting standard.

Members discussed the following:

- (a) the different objectives of general purpose financial reports and government finance statistics (GFS) and noted work done on identifying the differences between the two systems and how such differences could be resolved. Members were advised that the IMF is presently reviewing GFS requirements, the IMF and PSC are liaising on harmonising requirements and that there are features of GFS, such as requirements in respect of defence assets and impaired loans, with which Australian governments do not agree; and
- (b) in New Zealand the preferred option is a set of sector neutral standards and that public sector reporting reflects full accrual GAAP requirements. Members were informed that GFS reporting is a secondary consideration in New Zealand and is only used as a basis of reporting information to the IMF.

Action:

Chairman