

EXTRACT FROM MINUTES: AASB 9-10 APRIL 2003 MEETING

GFS CONVERGENCE

Agenda item 3A

The Board had before it:

- (a) a memorandum from Robert Keys dated 3 April 2003 (Agenda paper 3A.1);
- (b) Draft Implementation Strategy paper "GAAP/GFS Convergence: Implementing the FRC Strategic Direction" (Agenda paper 3A.2); and
- (c) a letter from Keith Alfredson to Charles Macek, Acting FRC Chairman, dated 27 March 2003 (Agenda paper 3A.3).

The Chairman reported that at its meeting held on 7 April 2003 the FRC decided:

- (a) to delete the second paragraph of the strategic direction, which states "The strategic direction agreed by the FRC involves including within Australian GAAP applicable to the public sector, the key features of the GFS framework. This will enable comparability across the public sector within Australia, without sacrificing the high level of international comparability which currently exists through GFS reporting."; and
- (b) that it would not provide interpretation of the remaining paragraph, noting that it is the role of the AASB to interpret the direction and decide on its technical implications.

The Board considered how the strategic direction could be interpreted and decided:

- (a) to amend the first dot point to note that, in principle, the strategic direction applies across the public sector. The strategic direction should be implemented in two interrelated stages. Stage one should investigate convergence issues at the whole-of-government level and include issues relating to reporting sector information (particularly general government sector). Stage two should consider the implications of the strategic direction for other public sector entities including government departments, local government, universities and GBEs;
- (b) that the strategic direction "does not direct the AASB to develop standards for budgetary reporting, including the specification of the scope of a budgeting entity";
- (c) to amend the third dot point to read "does not replace existing GAAP with GFS. Rather, the principle is "convergence to a high quality standard". In converging GAAP/GFS requirements, consideration will be given to issues relating to definition, recognition, measurement, presentation and/or disclosure requirements";
- (d) to delete "should be implemented within the context of the FRC's "IASB 2005" strategic direction, which focuses on for-profit entities, under the principle of sector neutral standards. The two strategic directions should be implemented concurrently, with the 'IASB 2005' project having regard to 'GAAP/GFS Convergence' issues when applicable". The Board decided that it is not necessary to state that 'GAAP/GFS Convergence' and 'IASB 2005' would be implemented concurrently and also noted that in relation to sector neutrality, that message could be conveyed by other means; and

- (e) to redraft the fifth dot point to state that the strategic direction “should be implemented having regard to international activities, in particular, the work to be undertaken by the IASB, IFAC-PSC and IMF”.

Mr Kaufmann informed the Board that the present HoTARAC Working Group on GAAP/GFS Convergence is also considering issues at the conceptual level.

In relation to its process for implementing the policy the Board decided:

- (a) in relation to the Project Advisory Panel (PAP):
 - (i) to invite users of financial reports such as the Commonwealth Grants Commission and the Productivity Commission to participate in the PAP;
 - (ii) the reference to Australian jurisdictions should include local government;
 - (iii) to broaden the reference to academics from disciplines in addition to those involved in AFAANZ;
- (b) in accordance with the Board’s normal policy, the PAP would be used on an “as and when needed basis” at the AASB’s discretion; and
- (c) to form a Reference Committee comprising the AASB Chairman and another AASB member, and senior members of public sector entities which would report to the AASB and to Heads of Treasuries (HOTs).

The Board also decided that issues arising on the GAAP/GFS Convergence issue should be a standing agenda item for future Board meetings.

Action:

Staff