



To:	Board members	Date:	22 September 2009
From:	Robert Keys	Agenda Item:	21.1
Subject:	GAAP/GFS harmonisation entities within the GGS	File:	

Action

Consider the information provided and views expressed by the Department of Finance and Deregulation in agenda papers 21.2 – 21.5 and whether to reconsider the Board’s decision relating to GAAP/GFS harmonisation for entities within the GGS.

Background

ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]* was issued for comment by 19 May 2009. The Board considered constituents’ comments on the proposals in ED 174 (including those received via comment letters and roundtables) at its June 2009 meeting and, based on that input, decided there was not a sufficient basis for proceeding with the proposals. Accordingly, the Board decided to write to the FRC informing it of the outcome of its deliberations and asking the FRC to reconsider its broad strategic direction in relation to GAAP/GFS harmonisation for entities within the GGS. Draft papers to inform the FRC of the Board’s decision have been prepared based on Board member input, but they have not yet been sent as agenda papers to the FRC. They are attached as background information as agenda papers 21.6 and 21.7.

Agenda papers 21.6 and 21.7 were sent to the FRC secretariat to facilitate a teleconference held on 4 September 2009 to discuss the issues. Participants in the teleconference included Jeffrey Lucy, Peter Gibson and Kevin Stevenson. During the teleconference Kevin explained the Board’s process and the basis for the Board’s decision, emphasising the absence of evidence that ED 174 proposals would meet the needs of a broad range of users. Possible alternatives to the approach in ED 174 (see paragraph 15 of agenda paper 21.7) were also outlined.

Following the teleconference, the Department of Finance and Deregulation provided an advance copy of a letter (with attachments) addressed to the FRC Chairman to the AASB for its consideration (see agenda papers 21.3 – 21.5). The letter places emphasis on how, in the view of

the Department, the ED 174 proposals would provide useful information for users, including the information contained in a transactions/other economic flows split in the statement of financial performance and the benefits for users being able to assess an entity's contribution to GGS key fiscal aggregates (eg net operating balance). Agenda paper 12.2 lists some issues that were raised by Kevin with Peter on an earlier draft of the letter, and Peter's response to those comments.

The FRC's 21 September 2009 meeting noted the matter would be considered by the AASB at its September 2009 meeting and decided that it is not necessary for the FRC to consider the issue further at this stage as the AASB's due process is continuing.

Kevin is of the view that the Board should exhaustively consider all input and alternatives before lodging the AASB report with the FRC. This has been why there have been prolonged discussions with the representatives of HoTARAC, Treasury and the FRC Chairman since the last AASB meeting. He is of the view that the AASB should have a Basis that could, if needed, stand up against any counter view and be seen to have taken all factors into account. Kevin is also concerned that if a direction is given he would want the FRC to have given consideration to such a Basis and to have developed a convincing alternative view. Without the latter, there will be a dilemma when constructing the Basis for Conclusions for any resulting standard.

Attachments

- Agenda paper 21.2: an email string between Peter Gibson (Branch Manager Australian Government Department of Finance and Deregulation) and Kevin Stevenson (AASB Chairman) relating to GFS/GAAP harmonisation at entity level, dated 14 September 2009 to 21 September 2009
- Agenda paper 21.3: an advance copy of a letter from Kathryn Campbell (Deputy Secretary Budget Group Department of Finance and Deregulation) to Jeffrey Lucy (FRC Chairman), dated September 2009
- Agenda paper 21.4: an advance copy of Attachments A and B to the letter in agenda paper 21.3 (note: these are A3 size Excel spreadsheets)
- Agenda paper 21.5: an advance copy of Attachment C to the letter in agenda paper 21.3
- Agenda paper 21.6: DRAFT memorandum from AASB Chairman to FRC members dated X August 2009
- Agenda paper 21.7: DRAFT Progress report on the AASB's GAAP/GFS harmonisation project (attachment to agenda paper 21.6)