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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](mailto:bernard.williams@abs.gov.au) or (02) 6252 6038.

Yours sincerely



Ian Ewing

Deputy Australian Statistician  
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15 October 2010