



Australian Government

Australian Accounting  
Standards Board

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Mr Brian Pink  
Australian Statistician  
Australian Bureau of Statistics  
Locked Bag 10  
Belconnen ACT 2617

Dear Mr Pink

### GAAP/GFS harmonisation

As you may be aware, the AASB has commenced a post-implementation review of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* (October 2007) with a view to identifying aspects of AASB 1049 that could be improved. As a means of identifying potential improvements, in addition to meeting with Bernard Williams and other ABS staff, AASB staff consulted staff responsible for implementing AASB 1049 at an operational level in each jurisdiction's department of treasury/finance and audit office. At its 30 July 2010 meeting, the AASB considered a comprehensive list of implementation issues relating to AASB 1049 and noted that the work to date had not identified any major flaws in the Standard. However, the AASB identified some areas where it believes improvements can be made to clarify the requirements in AASB 1049.

One aspect of AASB 1049 that was identified as an area for improvement is the current way in which AASB 1049 deals with the ABS GFS Manual. This issue mainly arose from uncertainty expressed about the scope of the Manual (for example, the extent to which ABS information papers and interpretations are part of the Manual) and the process for changing the Manual. The Board asked me to write to formally advise you of these concerns and encourage the ABS's work of clarifying the scope of the Manual and establishing an agreed process for amending and/or interpreting the Manual that I understand is currently underway.

A related issue is the consequence of defining the ABS GFS Manual in Appendix A of AASB 1049 as "The Australian Bureau of Statistics (ABS) publication *Australian System of Government Finance Statistics: Concepts, Sources and Methods* as **updated from time to time**" (emphasis added). Concern was expressed that unless the Manual allows for the orderly adoption of changes to GFS, compliance with the Manual 'as updated from time to time' would be too onerous from a GAAP perspective.

The Board noted that, when it effects any change to an accounting standard, it explicitly considers whether any transitional provisions (such as a delay in mandatory operative dates) are warranted, to allow sufficient time for entities affected by the change to become familiar with the requirements and introduce any new systems that might be needed.

The Board decided that consideration should be given to amending AASB 1049 to help ensure that orderly adoption of any future amendments to the Manual is facilitated, perhaps

in a way similar to that used by the Board to help facilitate orderly adoption of amendments to accounting standards. The Board noted that the nature of such an amendment would depend on the actions the ABS intends to take in relation to the issue. The Board agreed on the principle that AASB 1049 should continue to require reconciliation of GAAP to GFS as it changes, unless the nature of the change to GFS (and therefore accounting) would preclude its orderly adoption.

The Board's aim, subject to other priorities, is to issue any amendments to AASB 1049 arising from the post-implementation review before the end of 2010, after undertaking its full due process, which will involve an Exposure Draft being issued for public comment. Accordingly, because any Board proposals relating to orderly adoption of changes to the Manual are dependent on how the ABS intends to deal with such issues, I would appreciate an indication from you as to whether, and if so how and when, the ABS intends to address concerns about transitional requirements for changes to the ABS GFS Manual.

Yours sincerely

A handwritten signature in black ink that reads "K.M. Stevenson". The signature is written in a cursive style with a large, sweeping initial "K" and "M".

Kevin M Stevenson  
Chairman & CEO