

EXTRACT FROM MINUTES: AASB 9-10 DECEMBER 2009 MEETING

GAAP/GFS for Entities within the GGS

Agenda Item 20

The Board had before it:

- (a) a memorandum from Kevin Stevenson and Robert Keys dated 1 December 2009 (Agenda paper 20.1);
- (b) an extract from draft FRC December 2009 meeting minutes: Agenda item 4 – Strategic matters: (a) Public Sector accounting (Agenda paper 20.2);
- (c) the FRC's December 2009 Accompanying Paper 4(a)(ii) – being Don Challen's response to AASB progress report on GAAP/GFS harmonisation (Tabled Agenda paper 20.3, tabled after discussions at suggestion of FRC Chair); and
- (d) the FRC's December 2009 Agenda Item 4(a) – being the FRC Secretariat's cover note to the agenda item, entitled 'Public Sector Accounting: GAAP/GFS Harmonisation' (Tabled Agenda paper 20.4, tabled after discussions at suggestion of FRC Chair).

The Board noted the FRC's view that the Board's tentative decision to issue non-mandatory guidance on GAAP/GFS harmonisation for entities within the GGS would not satisfy the FRC's strategic direction on this topic. The Board discussed the FRC's view with the FRC Chairman, who stated that the FRC would not direct the AASB as to what should be included in the Standard required by the strategic direction. In the ensuing discussion, the Board particularly noted:

- (a) the due process the Board has undertaken in arriving at its tentative decision;
- (b) the nature of the comments on ED 174, which were mixed, and the different ways in which those comments, when taken as a whole, might be weighed-up and interpreted;
- (c) the role of the Board in setting standards that are already consistent with GAAP and whether the Board's role should be one of effectively setting accounting policies that could be set by preparers. It was noted, for example, that information about other economic flows is already required to be disclosed/presented under existing GAAP, albeit not in the particular format contemplated by *ED 174 Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]*;
- (d) the concern that, if a Standard were to be issued, it might come to be seen as a product of the Board, even if the accompanying Basis for Conclusions were to be written in a way that made it clear that the AASB was directed to issue the Standard by the FRC;
- (e) that the enhanced comparability that is argued to be a benefit of adopting ED 174, through the use of standard formats per se, is debatable given the different ways in which governments structure their administrative arrangements;
- (f) even if ED 174 (amended to reflect the tentative decisions of the Board made after reviewing the comments on ED 174) were adopted, it might be of limited use to users because of (e) above, and because it would not provide budgetary information; and
- (g) the lack of clarity about the scope of what constitutes broad strategic directions and concerns about the different due processes between the FRC and AASB (private vs public). In this context, the Board noted the difference between the standard setting regime in Australia and other jurisdictions where governance and standard setting roles have been clearly delineated.

The Board decided to consider the next step at its February 2010 meeting. To help facilitate discussions at that meeting, and to help bring the project to a conclusion, the Board directed staff to prepare:

- (a) a draft Standard that is based on ED 174, amended to reflect the tentative decisions the Board made after reviewing comments on ED 174 and the subsequent staff work on an illustrative example. At this stage, the Board has not concluded on the publication of that Standard;
- (b) a paper on the alternative approaches that could be employed in issuing a Standard;
- (c) a paper on the individual responsibilities of Board members in assessing the merits of a draft Standard that is developed in response to a strategic direction; and
- (d) any additional material that has become available since the Board discussed the matter at its October 2009 meeting that would be useful input to the Board making a decision on the next step.

In acknowledging the importance of the issues that have been highlighted by this particular project, the Board also directed staff to draft a paper for consideration at a future meeting on how governance and operational relationships might be improved from the perspective of the AASB's role.

Action: Staff