

## **Clarification of FRC broad strategic direction to the AASB on public sector financial reporting**

The AASB has sought clarification of certain aspects of the broad strategic direction the FRC gave the AASB in December 2002 (discussed in Bulletin 2002/5 of 18 December). These were: the scope of the strategy (whether it impacts on all public sector entities - including government departments, local governments, universities and government business enterprises - and whether it applies to the whole of government or only to the general government sector); and whether the strategy implies adoption of GFS rules into accounting standards or whether 'harmonisation' implies converging on the highest quality standards.

The FRC agreed to advise the AASB that:

- it considers it appropriate for the scope issues to be dealt with by the AASB and its processes; and
- in relation to the second issue, it had decided to modify the strategic direction by deleting the second paragraph of the direction which read:

"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."

- It was felt that this deletion would help ensure that the strategic direction was seen to be fully consistent with the respective roles of the FRC and AASB as specified in the *Australian Securities and Investments Commission Act 2001*.

Mr Ian Mackintosh, Chairman of the International Federation of Accountants-Public Sector Committee (IFAC-PSC), addressed the meeting on the work being undertaken by IFAC-PSC and the International Monetary Fund on GFS/GAAP harmonisation. A meeting is scheduled for 12-13 May in Washington DC to take this work forward. Mr Mackintosh noted that harmonisation at the international level could be closer than many had envisaged.