



GAAP/GFS HARMONISATION FOR ENTITIES WITHIN THE GGS

Issue

In response to the Financial Reporting Council's (FRC) direction to the AASB to "...pursue as an urgent priority the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting..." (see FRC Bulletin 2002/5 18 December 2002, as modified by FRC Bulletin 2003/1 11 April 2003), the AASB considered, in the second phase of implementing that direction¹, whether to specify GAAP/GFS harmonisation requirements for entities within the General Government Sector (GGS) of the Australian Government and the State and Territory governments, including government departments and statutory bodies.

The Board's due processes for this issue included issuing two Exposure Drafts, ED 174 *Amendments to Australian Accounting Standards to facilitate GAAP/GFS Harmonisation for Entities within the GGS [AASBs 101, 107 and 1052]* in January 2009, and ED 212 *Not-for-Profit Entities within the General Government Sector* in July 2011.

Reasons for Not Proceeding to Issue a Standard

On balance, considering the mixed responses to the proposals in both Exposure Drafts, and the current ability for entities to adopt the proposals on a voluntary basis, the Board concluded, on cost/benefit grounds, that a Standard on GAAP/GFS harmonisation for entities within the GGS mandating the proposals could not be justified. Further, the Board concluded that potential benefits relating to presentation and disclosure from pursuing the issue would most likely be overtaken by planned International Accounting Standards Board (IASB) work on a disclosure framework.

Furthermore, the AASB considered that even if the initial and ongoing costs of implementing the proposals were to be relatively insubstantial, the imposition of GAAP/GFS harmonisation on entities within the GGS through a Standard would not result in a substantive improvement in the quality of financial reporting by such entities.

The Board noted that the GAAP/GFS harmonisation project has been a priority of the AASB for a significant period of time and was of the view that its resources should now be focused on higher priority not-for-profit/public sector projects.

The *Report of the AASB on Phase 2 of the GAAP/GFS Harmonisation Project* (dated December 2012), which expanded on the above reasons, was considered by the FRC at its March 2013 meeting together with a recommendation from the FRC's Public Sector Task Force (PSTF). At that meeting the FRC accepted the AASB's proposal not to proceed².

1 Phase 1 of the direction resulted in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

2 FRC draft minutes of 67th meeting 15 March 2013, as posted on the FRC website: www.frc.gov.au.