



Project:	Post-Implementation Review of AASB 1049 <i>Whole of Government and General Government Sector Financial Reporting</i>	Meeting:	19 August 2025 (M214)
Topic:	Consider stakeholder feedback and decide on the standard-setting response	Agenda Item:	7.0
		Date of paper:	29 July 2025
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Objective of this agenda item

- 1 In 2020, the Financial Reporting Council (FRC) commissioned an independent Post-implementation Review (PIR) of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* and AASB 1055 *Budgetary Reporting* relating to Whole of Government (WoG) and General Government Sector (GGS). The PIR was undertaken as a targeted, non-public process. Dr Kim Langfield-Smith conducted the PIR and produced a report “The Post-Implementation Review of AASB 1049 Whole of Government and General Government Sector Financial Reporting” (the Report to the FRC; Agenda Paper 7.2), which the FRC accepted on 10 December 2021.
- 2 The FRC asked the AASB to consider the recommendations noted in the Report to the FRC. Accordingly, the objectives of this agenda item are for the Board to:
 - (a) **note** a high-level overview of the key findings in the PIR [see paragraphs 5–12 below]
 - (b) **note** staff’s process undertaken since the PIR [see paragraphs 13–12 below]; and
 - (c) **consider** the potential improvements to AASB 1049 and AASB 1055 – as set out on pages 31 and 32 of the Report to the FRC (Agenda Paper 7.2) – and **decide** on the standard-setting response [see Agenda Paper 7.1].

Attachments

- 3 There is one paper in the combined pack for which **decisions are requested** from Board members:
Agenda Paper 7.1 Consider stakeholder feedback and decide on the standard-setting response

- 4 The following support material is included in the supplementary folder **for noting**:

Agenda Paper 7.2	PIR Report to the FRC. This paper is an extract of pages 25-68 of the combined FRC meeting papers for the December 2021 meeting
Agenda Paper 7.3	Written submissions received by the FRC to its PIR on AASB 1049 and AASB 1055 (Board only paper)
Agenda Paper 7.4	Questionnaire relating to AASB 1049 (targeted outreach by staff in H1 2025) (Board only paper)
Agenda Paper 7.5	Submissions received on Agenda Paper 7.4 (Board only paper)

Key findings in the PIR of AASB 1049 and AASB 1055

- 5 The FRC issued a strategic direction to the AASB in December 2002:

“The Board should pursue as an urgent priority the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting. The objective should be to achieve an Australian accounting standard for a single set of Government reports which are auditable, comparable between jurisdictions, and in which the outcome statements are directly comparable with the relevant budget statements” (FRC Bulletin 2002/5 18 December 2002, as modified by FRC Bulletin 2003/1 11 April 2003).

- 6 AASB 1049 was developed in October 2007 (effective for annual periods on or after 1 July 2008) as the AASB’s response to the FRC’s strategic direction to harmonise GFS and GAAP. AASB 1049 originally included the budgetary disclosure requirements however, in 2013, these were relocated to AASB 1055.¹ Following this, the objective of the FRC direction is being met through both AASB 1049 and AASB 1055.
- 7 In 2020, the FRC commissioned an independent PIR of AASB 1049 and AASB 1055 relating to WoG and GGS. The purpose of the PIR included:
- (a) evaluating the extent to which AASB 1049 (October 2007, as amended) and the budgetary disclosure requirements in AASB 1055 (March 2013, as amended) have been successful in harmonising GFS and GAAP reporting, such that the objective of the FRC direction has been achieved;
 - (b) evaluating the costs and benefits of applying AASB 1049 and the budgetary disclosure requirements in AASB 1055; and
 - (c) reassessing the need to have a specific Accounting Standard to harmonise GFS and GAAP.
- 8 The Report to the FRC (Agenda Paper 7.2, p. 2) noted “All stakeholders who responded to the Consultation Paper stated that the objective of the FRC direction has been achieved – AASB 1049 has been successful in harmonising [Government Finance Statistics] GFS and [Generally Accepted Accounting Principles] GAAP reporting ... **There is strong support for retaining AASB 1049 and AASB 1055 in their current form.**” [emphasis added]

1 As a result of the Board’s deliberations of the proposals in Exposure Draft ED 212 *Not-for-Profit Entities within the General Government Sector* (issued in June 2011), the Board decided to relocate paragraphs 59 to 65 of AASB 1049 to AASB 1055 without substantial amendments via AASB 2013-1 *Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements*.

- 9 The Report to the FRC (Agenda Paper 7.2, pp. 4 and 23) included the following main recommendations:
- (a) **Recommendation 1:** No significant changes should be made to AASB 1049;
 - (b) **Recommendation 2:** Consideration should be made to implementing minor changes to AASB 1049, AASB 1055 and supporting material to improve GAAP-GFS harmonisation, reduce cost or improve information for users; and
 - (c) **Recommendation 3:** The number and magnitude of convergence differences [between GAAP and GFS] should be monitored over the next three years to gauge the impact on the costs of preparers and users and the impact on the usefulness of the financial statements; and
 - (d) Given the lack of compelling evidence of any major shortcomings in the requirements of AASB 1055, there should be no major amendments made to the standard.
- 10 The FRC asked the AASB to consider the recommendations noted in the Report.²
- 11 In respect to Recommendation 2, while the Report emphasised that no significant changes should be made to AASB 1049 or AASB 1055, it noted several potential improvements that could be made to improve GAAP-GFS harmonisation, reduce cost, or improve information for users. The Report refers to the potential improvements as ‘minor changes’ and staff concur that they are not fundamental, however, staff regard them as potentially significant for WoG and GGS financial statements.
- 12 At this meeting, in Agenda Paper 7.1, the Board is asked to consider the potential improvements to AASB 1049 and AASB 1055 noted in the Report and decide the appropriate standard-setting response.

Process undertaken since the PIR of AASB 1049 and AASB 1055

- 13 The FRC received 15 submissions from stakeholders on the PIR, which have been compiled as Agenda Paper 7.3. Staff analysed the comments relating to the potential areas for improvement.
- 14 Due to the time that has elapsed since the PIR was conducted, staff undertook further targeted consultation in H1 2025 to ensure that the feedback on the PIR and the resulting recommendations are up-to-date.
- 15 Staff developed a questionnaire (Agenda Paper 7.4) which was provided to the following stakeholders:
- (a) the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC); and
 - (b) the Financial Reporting and Accounting Committee of the Australasian Council of Auditors-General (ACAG-FRAC).
- 16 Staff have received written responses from the following stakeholders, which have been compiled as Agenda Paper 7.5:
- (a) six Audit Offices (including one response that they would not comment, as there is no requirement to audit the Whole of Government financial statements in that jurisdiction); and
 - (b) HoTARAC and one Finance/Treasury Department.

² [FRC Minutes – 10 December 2021](#).

17 The questionnaire responses indicate that:

- (a) many of the potential improvements noted in the Report to the FRC are related to other Accounting Standards, and not limited to AASB 1049 or AASB 1055. For example, some potential improvements are related to AASB 1004 *Contributions* and Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*; and
- (b) further information might be needed to assist the Board in determining whether a standard-setting action is needed to address some of the potential improvements noted in the Report to the FRC.

Standard-setting response options

18 Based on the targeted stakeholder feedback, staff have identified standard-setting response options that the Board could consider for each potential improvement to AASB 1049 and AASB 1055:

- (a) seeking further input from stakeholders, or proposing modifications to AASB 1049, as part of the forthcoming Exposure Draft that would clarify how WoG and GGS should apply AASB 18 *Presentation and Disclosure in Financial Statements*;
- (b) considering the matter as part of a cross-cutting AASB project, such as forthcoming PIR of other Australian Accounting Standards. At its [May 2023 meeting](#) (M195), the Board decided to undertake PIR of selected public sector Standards,³ but later deferred this project to focus on developing AASB S2 *Climate-related Disclosures*. Staff plan to seek stakeholder input on the priorities for these PIRs as part of the forthcoming Agenda Consultation;
- (c) deferring consideration of the matter until the Board considers the forthcoming Australian Government Finance Statistics Manual (AGFSM). The International Monetary Fund has commenced a project to update its GFSM 2014 version with a targeted completion date by December 2027. Following the issuance of the forthcoming International Monetary Fund's GFSM, the Australian Bureau of Statistics (ABS) will then make necessary amendments for the Australian environment. Staff were advised by ABS staff that it is not currently known how long this process will take; or
- (d) seeking further feedback as part of the forthcoming Agenda Consultation.

19 Agenda Paper 7.1 contains staff analysis of each of the potential improvements noted in the Report to the FRC, and the staff's views on the appropriate standard-setting response, for the Board's consideration.

20 [Appendix A](#) to this Cover Memo contains a list of abbreviations and other GFS terminology commonly used in the context of AASB 1049, which is used in Agenda Paper 7.1.

³ The Board decided to undertake a PIR of AASB 1050 *Administered Items*, AASB 1051 *Land Under Roads*, AASB 1052 *Disaggregated Disclosures*, AASB 1055 for entities within the GGS, AASB 1004 and Interpretation 1038.

Appendix A: Abbreviations and other GFS terminology

AGFSM	<p>Australian Government Finance Statistics Manual</p> <p>The Australian Government Finance Statistics Manual is called the Australian System of Government Financial Statistics: Concepts, Sources and Methods. The current version is the AGFSM 2015 version. AASB 1049 was developed based on the AGFSM 2005 version.</p> <p>The main purpose of the AGFSM is to serve as a reference manual for users of the statistics who require a detailed understanding and to assist data providers and compilers of GFS.</p> <p>The AGFSM is based on the International Monetary Fund's Government Finance Statistics Manual (IMF GFSM) and adapted to the Australian environment.</p> <p>GFS are statistics relating to public sector stocks and flows.*</p>
GGs	<p>General Government Sector</p> <p>Institutional sector comprising all government units and non-profit institutions controlled by government.*</p>
Flows	Flows are monetary expressions of economic actions engaged in by units and other events affecting the economic status of units that occur within an accounting period.*
IMF	International Monetary Fund
Other economic flows	Changes in the volume or value of an asset or liability that do not result from transactions (i.e. revaluations and other changes in the volume of assets).*
PFC	<p>Public Financial Corporations</p> <p>Resident government controlled corporations and quasi-corporations mainly engaged in financial intermediation or provision of auxiliary financial services.*</p>
PNFC	<p>Public Non-Financial Corporations</p> <p>Resident government controlled corporations and quasi-corporations mainly engaged in the production of market goods and/or non-financial services.*</p>
SNA	System of National Accounts
Stocks	An institutional unit's assets, liabilities, shareholders' funds and other contributed capital at a point in time.*
Transactions	Interactions between two institutional units by mutual agreement or actions within a unit that it is analytically useful to treat as transactions.*
Transfers	Transactions in which one unit provides goods, services, assets or labour to another unit and receives nothing in return.*
UPF	<p>Uniform Presentation Framework</p> <p>The UPF was introduced in the May 1991 Premiers' Conference with the primary objective "to ensure that the Commonwealth, State and Territory governments provide a common 'core' of financial information in their budget papers." All Australian jurisdictions have adopted the UPF.</p>
WoG	<p>Whole of Government</p> <p>The WoG comprises the GGs, the PFC and PNFC sectors.</p>

*as defined by the [AGFSM 2015 Glossary](#).