

Submission for Inquiry into Financial Reporting

Inquiry into whether stakeholders can readily assess the integrity, economy, efficiency and effectiveness of government financial management through the current financial reporting regime.

Clarity and Utility of Financial Reports for Decision Making.

It is arguable that the scope of the reports outlined in this Inquiry's terms of reference are reports whose focus is on reporting past events and therefore not primary documents for decision making. The reports referenced by the terms of reference are documents which support the openness, transparency and accountability of the Government Departments and associated entities, and from that perspective their need and purpose cannot be challenged.

While the annual financial statements may at a high level initiate discussion on a Department's performance with key stakeholders, invariably special purpose reports and submissions are the basis of specific decision making.

The increasingly technical requirements implicit in financial statements and annual reports does raise questions about the understandability of the information to non financial readers of the reports. This does impact the usefulness of these reports to those users.

Auditor-General's Reports to Parliament

Auditor-General reports to Parliament are a valuable mechanism in ensuring independent evaluation and reviews of Departmental reporting processes. Departments use these reports regularly in assessing systemic risks and exposures.

Impact of Implementation of Accrual Accounting

Accrual Accounting has widened the focus on financial management issues, particularly relating to liabilities such as employee entitlements. Concurrently emphasis on improving asset strategic planning is improving information on future capital investment needs. While these impacts are very positive, considerably effort is still required to oversee the traditional aspects of cash and funds management.

The Department of Justice and Attorney-General would support further financial management policy consideration of how accrual accounting can assist in improving the efficiency and effectiveness of service delivery, particularly in relation to providing incentives for Departments to find cost efficiencies and the reinvestment of prior year Operating Surpluses.

Evolution and Application of Accounting Standards including Implementation of International Accounting Standards

The continuing focus on the technical quality of the information prescribed by the accounting standards assures consistency in information and presentation. The adoption of International Accounting Standards is well advanced at the Department level. The current year end cycle reflects the biggest change for practitioners/preparers of the financial statements. These changes provide an opportune time for Departments to review and consider accounting policies at the Department level.

Other points include:-

- The reports generated are technically correct but the focus is on financial reporting not management reporting. This means that the focus is extremely financial and ensures that environmental and social responsibilities are not reported or measured; and
- While the MPS does report financial information by Output, it could be argued that it is not easily linked back to non financial performance indicators.

Convergence of Government Finance Statistics and Generally Accepted Accounting Principles Reporting

The Department of Justice and Attorney-General understands that Queensland Treasury is preparing a submission for the Public Accounts Committee on this topic. In terms of timeframes it is understood that the Australian Accounting Standards Board will issue an Exposure Draft in July 2005 on the proposals for convergence. The target implementation date is July 2007.