

15 JUL 2005
PUBLIC ACCOUNTS COMMITTEE

15 July 2005

Ms Leanne Clare
Research Director
Public Accounts Committee
Parliament House
George Street
Brisbane QLD 4000

Dear Ms Clare

Re: Government Financial Reporting

The National Institute of Accountants (NIA) is an internationally recognised professional body with more than 14,000 members of which 9% work in the public sector. We are pleased to provide some brief remarks on the state of government financial reporting and the need for some reform to the same to this committee.

Our submission to the committee is a part of our broader contribution to the debate on public sector accounting and the attempt of the Australian Accounting Standards Board (AASB) to converge the two bases of reporting: generally accepted accounting principles (GAAP) and government finance statistics (GFS).

This project has covered significant ground but we believe there is further progress that must be made in order to achieve what could be regarded as a comprehensive model for government reporting.

Need for a change in perspective

The debate on public sector financial reporting has been focused heavily on whether the budget sector is a reporting entity as defined under the conceptual framework that applies here in Australia. One side of the argument believes the reporting entity that should produce general purpose financial reports (GPFRs) is the government and anything less than the whole of government (WoG) should be regarded as a special purpose financial report (SPFR). An alternative viewpoint is that the budget sector – known in the GFS classifications as the general government sector (GGS) – is a reporting entity because of the immense community interest in the budget sector and the reports, according to this view, should be known as GPFRs.

These perspectives could be pooled together usefully in a unified approach. The AASB in our view must have a definition of the government as a reporting entity that produces a general purpose financial report each year that consists of:

- A WoG report that reflects the entirety of government activity;
- A GGS report that reflects the outcomes of the budget sector;

- A report reflecting the public non-finance corporations (PNFC);
- A further report dealing with the public finance corporations (PFC);and,
- Anything else a government believes users of its financial information require to understand the financial performance, financial position and quality of management in government.

In an ideal world all of these reports would be published at the one time in separate volumes so that users of the various pieces of information can access each of the aforementioned reports more easily. There are some practical obstacles to achieving simultaneous publication and we are talking to public sector authorities about how this model can be operationalised.

The model outlined above would ensure that government reporting is conducted on a uniform basis across Australia and we are already getting some general support from elements of the public sector and the accounting profession. We would be pleased to outline our thoughts further during a hearing of the Public Accounts Committee on government financial reporting.

Feel free to contact me on [REDACTED] or [REDACTED] should you require further information.

Kindest Regards

Tom Ravlic PNA
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National Institute of Accountants