

On the Occasion of the release by the Minister for Finance
of the Second Trial Unaudited Financial Statements for the
Commonwealth of Australia for the year ended 30 June
1996.

Whole of Government Financial Reporting (or Putting on a Happy Face)

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Introduction

This paper is intended to provide an insight into the Whole of Government Financial Statements based on accrual concepts from the Public Auditor's perspective. I agree with the observation that:

'In principle, whole of government accrual reports are likely to be easier to understand and interpret by readers than the existing array of financial reports which provide an incomplete picture of government finances, and which are based on concepts and principles understood by a select few'¹

Our aim is to contribute to the confidence, understanding and trust of all users of such statements. They are able to provide a better picture of the Government's financial situation and how it has allocated and spent its resources over the previous year. A challenge will be to maintain a consistency of approach to, say, assets and liabilities to ensure reasonable judgements can be made of financial performance over time. This is all part not only of good government but also of good corporate governance reflecting real accountability to all stakeholders.

The production of an accrual set of Whole of Government financial statements is a major challenge for public sector accountants given that they have traditionally been accountable for and prepared financial statements on a cash basis. Although in recent times Commonwealth departments and agencies have reported accrual accounts they still manage on a cash basis with little internal management or use of accrual information. Perhaps the biggest challenge for public service managers and accountants is to understand and then to use accrual-based information, including financial reporting data, for better program management. In the latter respect I was interested in reading from the latest Harvard Business Review that:

'By using a software program that generates drawings of the human face with facial expressions that are tied to four critical financial ratios, the professors maintain that they can help managers gain an excellent understanding of a company's overall financial condition and cut in half the amount of time spent on the task'.²

Perhaps that experience should encourage us to be more innovative or experimental in presenting such information to encourage both its understanding and use not only in the public sector but outside as well? In

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the equivocal, and sometimes contradictory, world of politics and bureaucracy one could ask from what viewpoint should such expressions be interpreted. Nevertheless, it does point to possibilities offered by more lateral thinking in an area that might well require it.

The production of Whole of Government financial statements is part of the evolution of fiscal responsibilities for the Commonwealth that has been strongly advocated by the Joint Committee of Public Accounts (JCPA) and various other interested areas of both the public and private sectors. The most recent development in this process is the production of the Charter of Budget Honesty Bill 1996 recently reviewed by the JCPA in its report 351 'An Advisory Report on the Charter of Budget Honesty Bill 1996'.³

The ANAO has been a staunch supporter of Whole of Government accounting for many years now. We have provided submissions and attended hearings held by the JCPA in their reviews on Accrual Accounting (Report 338); on Financial Reporting for the Commonwealth (Report 341); and on the Charter of Budget Honesty Bill covered by Report 351.⁴

The JCPA in the Executive Summary to Report 341 noted that:

'whole of government reports promise enhanced scrutiny of public finances and also offer other benefits for financial planning and fiscal policy development'.⁵

Indeed, the Whole of Government accounts are the cornerstone of the move for greater financial transparency and accountability of Government which the Government, the Parliament, the JCPA, the ANAO and others are striving to achieve.

ANAO's Role in the Whole of Government Accounting Process

As mentioned in the introduction the move to reporting whole of government financial statements for the Commonwealth has been gathering momentum for some years now. A summary of the development and milestones to date is included in an attachment to this paper.

Our participation in the production of Whole of Government accounts began in early 1996 when the ANAO and the Department of Finance prepared a trial set of Whole of Government accrual financial statements for the year ended 30 June 1995.

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The trial involved extensive testing of alternative reporting models with a view to showing how accrual and cash flow information can best be presented to provide more comprehensive measures of the underlying financial performance and financial position at Whole of Government level. The Minister for Finance released the results of that trial on 28 August 1996.⁶

Prior to commencing the preparation of the 1995-96 trial statements, the Government announced that the Whole of Government financial statement for the year ended 30 June 1997 would be fully audited. This was a year earlier than originally envisaged and meant the ANAO had to move away from assisting in the preparation of the financial statements and focus on examination of the processes supporting their preparation.

Our objective in this was to gauge the robustness of the data and the rigour of the systems and processes employed by the Department of Finance in the collation of the financial statements prior to the preparation of fully audited financial statements for the year ended 30 June 1997. Our conclusion from this examination was that the 1995-96 statements provide a sound basis upon which to build and go forward in future years. A significant number of issues were resolved in the trial. However, some remain to be considered further by the Department of Finance. We expect these will be resolved in time for the full audit of the statements for 1996-97.

The ANAO involvement in the Whole of Government trial process has confirmed that Whole of Government reporting on a full accrual basis represents a significant improvement in the quality of information available to the Commonwealth and the public on the operations of the Commonwealth and its balance sheet position.

Issues for Agencies

In our examination of returns submitted by agencies for the 1995-96 Whole of Government trial we noted many agencies had difficulties providing the information required by the Department of Finance. It is important to note that, at this stage, the collection of information forming the Whole of Government statements is currently a manual process involving some two hundred agencies and entities of which twenty nine are material for audit purposes. It is therefore not surprising that there were some teething problems. The following two stood out:

- Many agencies had difficulties in identifying and reporting of inter-entity transactions and balances. Essentially these agencies did not have the system or processes in place to collate this information.

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Where this information was provided by an agency invariably the other party did not record the other side of the transaction or recorded it at a different amount.⁷

- The other area where many agencies had significant difficulties was in the accounting for administered transactions and balances. Again it is apparent that agencies had not anticipated the requirements and had not instituted procedures and processes to obtain the information required by the Department of Finance.

It is clear that agencies need to develop sound well understood procedures to facilitate the identification of reliable information that will stand the scrutiny of an external third party. However it will be necessary for these agencies to go beyond this step and establish accounting systems for the future that will provide this information without the intensive manual processes that will, by necessity, need to be employed in the short term. On this aspect, if accrual accounting is to be fully effective in an APS environment, agencies will need more robust financial management information systems together with improved internal controls over those systems producing financial statements.

I note that the Department of Finance has instituted changes in agency financial statement requirements⁸ that address some of these issues and as an Office we support this initiative. These changes include 'double entry' accounting for administered items, schedules of commitments and contingencies, revised fixed asset and equity disclosure requirements.

Benefits of Whole of Government Accounting

Whole of Government financial statements will for the first time provide an overview of the Commonwealth's financial position, its assets and liabilities and cash flows. It will provide credible information upon which informed decisions can be made on the government's overall objectives and in respect of choices that the Government is considering in the allocation of scarce resources to its various priorities and commitments. The statements will also provide only one 'deficit' figure which will better reflect the underlying deficit as opposed to the so-called 'headline' figure. This should minimise any public confusion caused by multiple deficit outcomes.

In addition the statements will enable the reader to make an assessment of the degree to which the Commonwealth is building up or running down its asset or liabilities. Indeed in the forward to the JCPA's report 351 the point is made that the Whole of Government financial report:

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'would make immediately apparent any government attempts to run down the asset base of the Commonwealth to fund recurrent spending to the detriment of future generations of Australians.'⁹

The latter sentiment has been referred to as an issue of 'intergenerational equity'. This is basically the proposition that taxes collected in any period of time should be at a level necessary to deliver the services and/or benefits made available in that period. It is simply the notion of paying no more or less than what you get in return. A classic example has been the payment of long-life infrastructure assets by direct taxation instead of by long term debt where the cost is spread over time. This is most evident in periods of low budget deficits or where Governments are attempting to balance their budgets or even achieve surpluses, as is the current policy. The Treasurer in his second reading speech on the Charter of Budget Honesty Bill 1996 announced that:

'...an intergenerational report will be produced every five years to report on the long-term sustainability of current fiscal policies'.¹⁰

He went on to say that:

'We want to get economic policy to a point where it is fair as between generations.'¹¹

The statements will show how the Government is funding expenditure, either capital or recurrent, and changes to the revenue base that reflect a complete picture rather than the limited interpretation provided by traditional cash statements and reporting systems. With this information the reader can at least identify the overall financial impacts of decisions and opportunities taken by the Government in the budget context. The sector statement shows the rate of return to the Commonwealth on its investment in Government Business Enterprises (GBEs).

The statements will also facilitate financial analysis of the Commonwealth's policy and operations on different sectors of the economy which had not been previously possible. For example, the statements will show the extent to which Public Trading and Public Financial enterprises are contributing taxation and other revenues to the Commonwealth and the value and form of their assets.

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In short, the aim of the statements is to provide financial information in a form that is understood by the general public and is more comparable with that available in the private sector.

Some Limitations

Having outlined some of the benefits of Whole of Government financial information it is also important to recognise its limitations. In interpreting such information the reader needs to be careful not to assume that the financial statements are exactly the same as those that are reported in the private sector. Public sector agencies are not the same as a private company. There are a number of factors that are unique to the Commonwealth incorporated within these statements which need to be recognised in any analysis of the Commonwealth's position and/or performance. Some of the more significant of these are worth mentioning.

The 1995-96 statements, for example, show that the Commonwealth has a negative equity of \$81 billion. The Government does not have a profit making objective and will from time to time deliberately incur deficits in the pursuit of other fiscal and/or monetary objectives. Indeed a large percentage of the Government's expenditure is on social objectives, defence, justice and other community service obligations that do not equate with the objective of making a profit. As well, the net assets' deficit is not an indicator of the Commonwealth's solvency nor of the sustainability of its financial position.

The disclosure of the Government's taxation powers and rights is another area where the Commonwealth's position is quite different to that in the private sector. The accounting framework that underpins the financial statements does not contemplate the reporting of this key asset of the Commonwealth. For example, the increase in gross operating surplus of about \$5.5 billion per annum in the Australian Bureau of Statistics (ABS) estimates is to take account of the understatement of income associated with the 'tax gap'. On the other hand, the Government's likely future obligations in relation to pensions and other welfare payments are also not recognised in the current accounting framework as only those entitlements that are currently due for payment constitute a liability for reporting in the balance sheet.

The figure disclosed for superannuation liabilities also highlights the limitations of the accounting framework for reporting purposes. The issue here is that the Commonwealth's liability disclosed does not factor in the reciprocal benefits in savings in the old age pension payments relating to Australian Public Service (APS) employees in receipt of superannuation

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nor the receipt of income tax on their superannuation pensions or payments. The former should not do so, in our view, and the latter obviously involves very practical problems of measurement.

It is also important to recognise that any realistic assessment of the information disclosed in the Whole of Government financial statements needs to be made over a number of years rather than on data for individual years which are likely to reflect large swings based on various recent economic, social and political events. Accordingly, the real value of these statements lies in the trend information over a number of years that indicate the overall movement in fiscal terms and in financial performance.

Our review of the 1995-96 trial financial statements identified a number of practical limitations and issues that those concerned should aim to resolve in the coming year. These include the following.

Commonwealth Reporting Entity

The policy adopted in the preparation of the trial financial statements is that all entities controlled by the Commonwealth will be included in the Commonwealth Reporting Entity through a full consolidation of material transactions and balances. Commonwealth universities were excluded from the trial because of an expectation that AAS31 would specifically exclude them from application of the control test. When AAS31 was issued, it was clear that the universities should have been considered to be controlled and thus consolidated. It is understood that the Heads of Treasury will approach the Australian Accounting Research Foundation for an amendment to AAS31 on this matter.

Disclosure of Asset Sales Program

The 1995-96 financial statements report on the net results of the Commonwealth's Asset Sales Program on a year by year basis. The financial statements indicate that a net loss of \$245 million was incurred on the Asset Sales program during 1995-96. Given that it is not unusual for sales to take longer than one year to finalise, it is quite likely that the proceeds and costs included in the net figure do not relate to the same sales. I appreciate the possible sensitivity of providing information on particular sales at particular times. However, in my opinion improved disclosure would result from the inclusion in notes to the financial statements of details of expenditures, revenues and net outcomes for individual sales in the current year and, where the sales process has occurred over financial years, the cumulative results of such sales.

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Opportunities for enhanced disclosure will also be available through the financial statements to be prepared in the future by the Office of Asset Sales.

Urgent Issues Group (UIG) Pronouncements

The Urgent Issues Group (UIG) was established by the professional accounting bodies in 1994 to provide advice and direction on accounting issues that are likely to receive divergent or unacceptable treatment in the absence of other authoritative guidance. The rulings or pronouncements issued by the UIG are mandatory on members of the professional bodies, that is whether they are preparers or auditors of financial statements.

The Department of Finance have advised that they would not be bound by UIG pronouncements because of concerns with the lack of widespread discussion and the legal endorsement they would receive. The Commonwealth financial statements indicate that they have been prepared in accordance with applicable accounting standards. However, they do not refer to the UIG pronouncements specifically as is normal practice in accounting policy notes.

It is noted that, whereas Commonwealth agencies were previously advised that UIG pronouncements were mandatory, they are now advised only 'to have due regard' to them. Under ANAO and professional auditing standards, the auditor is required to qualify the audit report on financial statements where those financial statements have not been prepared in accordance with both accounting standards and UIG pronouncements. In this respect my officers will advise and assist agencies in dealing with any UIG issues that arise in the preparation of agency financial statements.

Disclosure of Commonwealth Trust Moneys

The financial statements currently do not disclose any information in relation to trust moneys managed by Commonwealth entities on behalf of external parties. It is normal practice for details of such moneys to be reported in notes to the financial statements as an accountability mechanism. We think that the Department of Finance should give consideration to the reporting of this information in subsequent years. We also noted that the New Zealand, New South Wales and Victorian Whole of Government statements all contain some details of trust moneys that they hold in a fiduciary capacity. It would enhance accountability if disclosure occurred particularly in the public sector environment where transparency is constantly endorsed by the Parliament.

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Commonwealth Assets

Australian Accounting Standard AAS29 *Financial Reporting by Government Departments* contains transitional provisions which permit the temporary non-recognition in financial statements of assets acquired prior to 1 July 1996 which are difficult to measure. The Minister for Finance has previously provided similar exemptions on a case by case basis for selected assets held by particular reporting entities. Note 37 to the financial statements discloses the nature of such assets held by Commonwealth entities. The Department of Finance has advised that it will no longer be providing exemptions from reporting 'movable' heritage assets, such as library collections, to apply from the 1997-98 financial year's statements.

Accounting for Non-reciprocal Grants

In the trial financial statements the Department has accounted for a number of Multi-Year grant agreements by progressively expensing the payments over the life of the Agreement rather than booking a liability for the entire amount of the agreement at the time that it was signed. These grants are non-reciprocal, for which the Commonwealth receives no direct benefit. The main examples are payments to State Governments for provision of health services. These payments are typically made under agreements covering periods of up to five years, with actual payments occurring a number of times each year.

The question of control and the timing of recognition, in the context of Australian Accounting Standard AAS31 *Financial Reporting by Governments* was discussed by the Public Sector Accounting Standards Board (PSASB) which has advised that the liability does not arise at the commencement of the agreement but rather it occurs progressively over the life of the agreement. The PSASB advice refers specifically to multi-year grant agreements between the Commonwealth and States for the provision of social policy objectives. The implicit principle espoused by the PSASB could well be applied more widely to other similar agreements between the Commonwealth and the States, for example for transport (roads) and law (legal aid) grants. One benefit from the latest trial was the opportunity to test the robustness and applicability of AAS 31. As indicated earlier, some follow-up will be made with the PSASB in this regard including, for example, on the split of assets into current and non-current categories.

As with all learning experiences there will be further improvements that can be made to the financial statements. One area where we will be looking for improvements is in the level of Note disclosure. For example, Note 3 on taxation revenue does not alert the reader about the implications of the

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accounting policy on recognition of income tax revenue. The amount disclosed does not include details of revenue not recognised due, for example, to the cash 'black hole' economy as reported by the Tax Commissioner recently, nor the extent to which tax has been avoided or delayed. As well, Note 3 does not explain the nature and extent of some of the assets not recognised in the financial statements. The continuing test should be to inform and ensure adequate understanding of the financial statements by all users.

Conclusion

As I stated at the outset, I fully support the production of Whole of Government statements which should contribute to better understanding generally of the Commonwealth's financial position. It should be noted that the ANAO's role is to verify the accuracy and completeness of figures and not the merits of the allocation of scarce resources. Our endorsement of these statements is to enable Parliament, the Government and the public to place reliance on the reported outcome without prejudice.

Whilst we recognise that there are many difficulties associated in the production of Whole of Government accounts and that there are issues of interpretation and analysis that remain in the public domain, it is clear that they significantly improve the Government's disclosure of its financial performance and stewardship function and will enable a greater understanding and scrutiny of that performance. It is also clear that this is the view of Parliament as expressed through the JCPA.

We are pleased to have been active participants in the Whole of Government reporting process to date and look forward to the 1996-97 statements with the opportunity to further assist the Department of Finance and other agencies ensure they are a credible product. Such credibility would be enhanced by having an unqualified audit opinion. As in New Zealand:

'This constructive relationship was vital and at the end of the process the Audit Office saw the unqualified audit opinion as an achievement as much as in the Treasury.'¹²

Drawing on the same source, the ANAO also considers that commitment is critical and that the more informative presentation of the Government's financial position can lead to better quality decisions. The following observation is apt:

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'The lesson is that commitment based on false expectations will not continue. Better the sceptic turned convert than the lapsed believer'.¹³

August 1997

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Notes and References

1. Mellor Thuy 1996. *'Why Governments Should Produce Balance Sheets'*. Australian Journal of Public Administration, Vol.55 No.1 March (page 79).
2. Dun Gifford Jr. 1997, *'Briefings from the Editors'* (Financial Reporting), Harvard Business Review, May-June (page 10).
3. Joint Committee of Public Accounts (JCPA) 1997, *'An Advisory Report on the Charter of Budget Honesty Bill 1996'*, Report 351, AGPS, Canberra, March.
4. Report 338 *'Accrual Accounting - A Cultural Change'* was produced by the JCPA in August 1995 in response to two reports by the Auditor-General dealing with the introduction of accrual reporting in agencies of the Commonwealth government. Report 341 *'Financial Reporting for the Commonwealth: Towards Greater Transparency and Accountability'* had its origins in a decision of the JCPA in May 1995 to conduct inquiries into Whole of Government reporting and fiscal responsibility legislation for the Commonwealth. Report 351 *'An advisory Report on the Charter of Budget Honesty Bill 1996'* was a result of a Senate decision in March 1997 for the JCPA to consider the bill and report back to the Senate within the month.
5. JCPA 1995, *'Financial Reporting for the Commonwealth: Towards Greater Transparency and Accountability'*, Report 341. AGPS, Canberra, November. (page xv)
6. Minister for Finance. The Hon. John Fahey MP., 1996. *'Financial Statements of the Commonwealth of Australia for the year ended 30 June 1995 (Final and Unaudited)'*, AGPS Canberra, 28 August.
7. In fact not one instance of inter-entity transactions matching occurred when first attempted.
8. Minister for Finance Guidelines for Departmental Secretaries, and for Commonwealth Authorities.
9. Op.cit. JCPA Report No351 (page x)

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10. Costello Peter The Hon. 1996, *'Charter of Budget Honesty Bill 1996'* Second Reading Speech, Parliamentary Debates, House of Representatives, Canberra, 11 December (page 8184).
11. Ibid., (page 8184).
12. IFAC Public Sector Committee 1996. *'Implementing Accrual Accounting in Government: The New Zealand Experience'*. Occasional Paper No.1. Issued by the International Federation of Accountants', New York, December (page 12).
13. Ibid., (page 14).

DEVELOPMENT OF WHOLE OF GOVERNMENT FINANCIAL REPORTING IN THE COMMONWEALTH

In this attachment, I will attempt to put Whole of Government reporting into some perspective by outlining briefly some of the forces of change that have provided the impetus for this development.¹

In order to appreciate the challenges facing governments in adopting Whole of Government reporting, it is necessary to understand the history of financial reporting within governments. Historically, financial reporting within the Commonwealth budget sector consisted of statements prepared by the Minister for Finance reporting on cash transactions against the central budget. While this was supplemented with accrual reports prepared by government companies and authorities, government departments did not, until recently, report on their own financial activities.

Since 1983 Government Statutory Authorities have been required to report accrual financial statements. In the late 1980s, government departments were first required to prepare cash-based financial statements and to incorporate these into annual reports which were tabled in the Parliament. In the early 1990s, accrual reporting was first introduced in Commonwealth government departments and by 1994-95, all departments had fully implemented accrual reporting even though this was only achieved by processing end of year accrual adjustments.

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While it has received considerable attention in recent times, Whole of Government reporting is not a new issue. The New Zealand and New South Wales governments have been preparing Whole of Government reports for a number of years now. In 1993, my predecessor raised the issue of Whole of Government reporting within the Commonwealth when he argued that there were deficiencies in the then existing financial accountability mechanisms and recommended the adoption of Whole of Government financial reporting by the end of the 1994-95 financial year.

This theme was picked up in two inquiries conducted by the Commonwealth Joint Committee of Public Accounts (JCPA) in 1995. In the first, *Accrual Accounting - A Cultural Change*,² the Committee examined the use of accrual reporting and accounting within the Commonwealth and made a number of recommendations aimed at increasing the use of such information.

These recommendations reflected the Committee's concern that many of the benefits in accrual accounting and reporting were not being realised, which in turn prevented full achievement of the ongoing broader public sector reform process. The Committee felt that greater acceptance of accrual information was required in order for public sector managers to demonstrate full accountability, to measure fully the cost of operations and to demonstrate proper consideration of the longer term obligations and overall financial position resulting from management decisions.

The Committee then turned its attention to accrual reporting on a Whole of Government basis. The Committee considered that:

*Whole of Government reports would contain information of value to Cabinet, to the government's key economic and financial advisers, to Parliamentarians and to many other external users. They would help inform strategic decisions about government priorities and policies, and would enable the government to better account for its use of public resources.*³

In the light of this, the Committee recommended that:

*The government should commit itself to the preparation, at least annually, of Whole of Government reports for the Commonwealth.*⁴

Later the same year, the Committee conducted a further investigation into Whole of Government reporting, considering factors such as the form of

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these reports and the timing for implementation of such reporting.⁵ The Committee continued to support strongly the preparation of such reports but acknowledged that, unless there was a mechanism for feeding the information into financial planning and budgeting, the full benefits of this reporting would not be realised. The Committee went on to propose a financial reporting framework which linked accrual based budgeting and reporting.

The Committee recommended that the Commonwealth Department of Finance and the ANAO embark upon a series of three trial Whole of Government financial statements commencing with the 1994-95 financial year, with a view to full adoption of Whole of Government reporting in 1997-98.⁶ This would be supplemented, in due course, with accrual based Commonwealth budgets.

Around the same time as the Committee was investigating Whole of Government reporting, the accounting profession released its first exposure draft (ED62 - Financial Reporting by Governments) on the topic. The position adopted in the exposure draft was consistent with that of the Committee, requiring full consolidation of the accounts of all entities controlled by governments. The Exposure Draft was promulgated into an Accounting Standard AA531 'Financial reporting by Governments' which requires full implementation of Whole of Government reporting by 30 June 1999. The Federal Government will meet that timetable.

The Committee, together with the various Australian governments through the Heads of Treasury group and a joint Heads of Treasury Accounting and Reporting Advisory Committee, provided input into the development of the Standard.

The ANAO was also able to participate in development of the Standard. In addition to commenting directly on the Exposure Draft, the ANAO participated via the provision of advisers and the secondment of a senior officer to the second Parliamentary Committee investigation. ANAO officers also attended meetings of the Heads of Treasury advisory committee in an observer role and worked with the Australasian Council of Auditors-General in providing an auditor's perspective on the standard.

Developing a Trial Set of Financial Statements

In line with recommendations of the JCPA, the Department of Finance and my Office prepared a trial set of financial statements based on 1994-95 financial information of Commonwealth entities. The emphasis of the trial was on determining an appropriate form for the financial statements and identifying the best means to obtain the information required for the

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financial statements from the 200 or so entities to be covered within the Commonwealth. My objective in participating in this, and in any later trials, was to ensure that all issues which could result in an eventual qualification of the financial statements are resolved at the trial stage before audited statements were required to be produced.

The trial statements were published, together with an invitation to comment, by 30 September 1996.⁷ With slight amendment, they were also incorporated into the report prepared by the National Commission of Audit.⁸ The National Commission of Audit strongly supported Whole of Government reporting, recommending that fully audited statements be available for the 1996-97 financial year. The Commission reiterated the point that accrual reporting needed to be integrated with a comprehensive accrual financial management framework. A key recommendation of the Commission was that:

The government should formally adopt accrual principles as the basis for an integrated budgeting, resource management and financial reporting framework both at the agency level and at the aggregate budget sector level.⁹

The Commission's recommendations in relation to Whole of Government reporting have been accepted by the Government which recently announced that annual audited Whole of Government financial statements would be tabled in Parliament from 1996-97. An accrual based financial framework will be put in place, including the preparation of accrual based budgets for the Commonwealth (with a trial for selected agencies in 1998-99), by all agencies to be in full operation from 1999-2000.¹⁰

My Office has assisted the Department of Finance on the preparation of a second trial set of Whole of Government financial statements. This trial was an extension of the previous one in that we performed an examination of the trial statements. By this means, we hoped to identify and resolve any issues that may have required a qualification in the 1996-97 audited financial statements.

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References

1. This Attachment is largely based on a section of my address to the CPA Congress 1996 'Profit from our Experience' in Melbourne last October entitled '*Evolution in the Public Sector - Auditing, Corporate Governance and Whole of Government Reporting*'.
2. Joint Committee of Public Accounts (JCPA), 1995 'Accrual Accounting - A Cultural Change'. Report No.338, AGPS, Canberra, August.
3. Ibid., (pages 85-86).
4. Ibid., (page 86).
5. JCPA 1995 '*Financial Reporting for the Commonwealth : Towards Greater Transparency and Accountability*'. Report No.341, AGPS, Canberra, November.
6. Ibid., (page xvi).
7. Minister for Finance 1996. '*Trial and Unaudited Financial Statements of the Commonwealth Government of Australia for the year ended 30 June 1995*'. AGPS, Canberra, 28 August.
8. National Commission of Audit 1996. 'Report to the Commonwealth Government'. June.
9. Ibid., (page 211).
10. Minister for Finance The Hon John Fahey, MP. '*Government Adopts Accrual Financial Management Framework*'. Media Release 20/97, Canberra, 7 May.