

Centre for Accounting Governance and Taxation Research,
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The Financial Reporting Framework New Direction! Right Direction?

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Business Links Seminar

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Right Direction for the Public Sector ?

- High quality public sector accounting standards are important
- Our current processes do not adequately consider context, user needs or many of the transactions critical to the public sector.
- Our standard setting structure needs to be legitimate, independent, transparent, high performing and accountable.
- IPSASB, while not there yet, looks the strongest candidate.

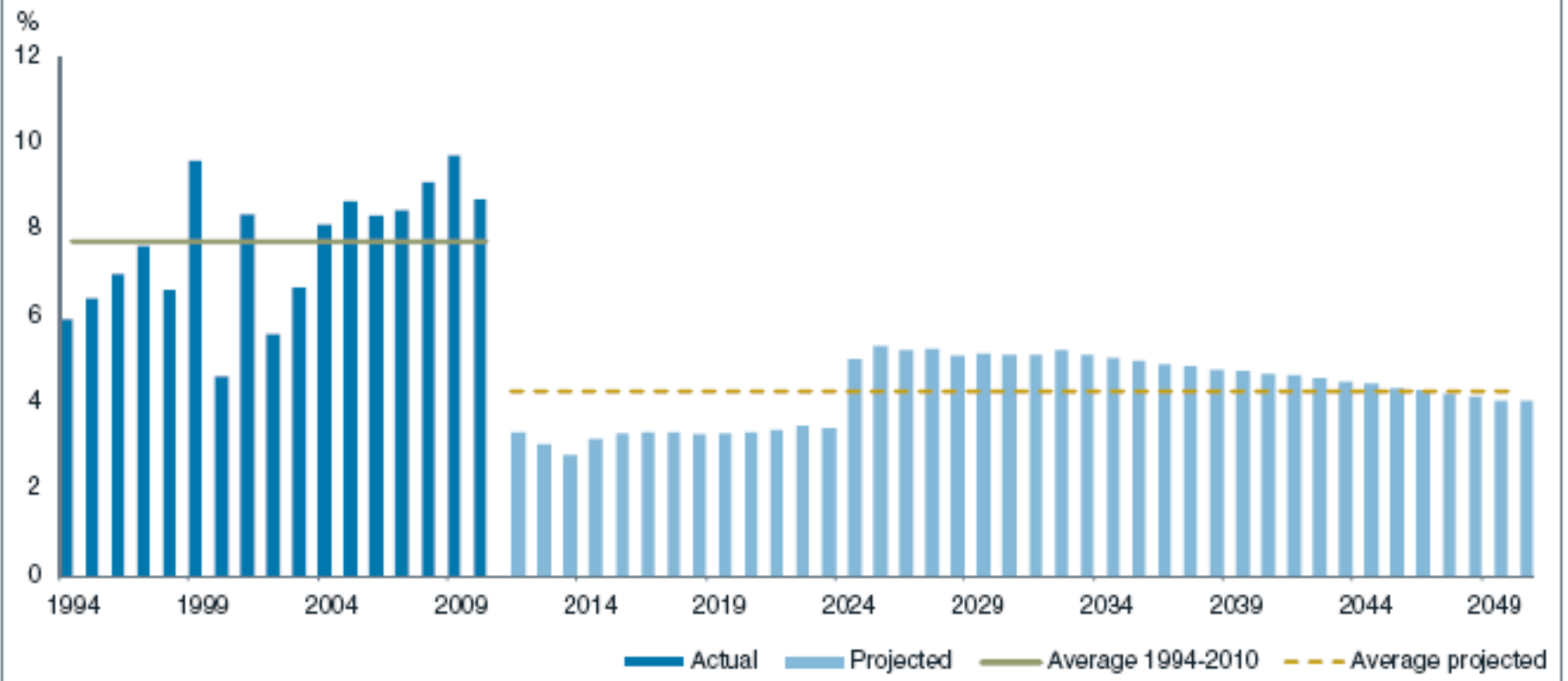


Accounting for ACC

(\$ Billions)	2009	2008	2007
Investments	10.4	9.6	9.3
Other Assets	4.1	3.5	3.1
Total Assets	14.5	13.1	12.4
Outstanding Claims	23.8	18.0	15.4
Other Liabilities	3.4	3.1	2.6
Total Liabilities	27.2	21.1	18.0
Reserves	-12.7	-8.0	-5.6

Accounting for Health

Figure 7.3 – Annual nominal growth in health spending – sustainable debt



Source: The Treasury

So . . .

- This stuff matters.
- Our current approach is in some trouble
 - from sector neutrality to public sector modifications of IFRS for public benefit entities

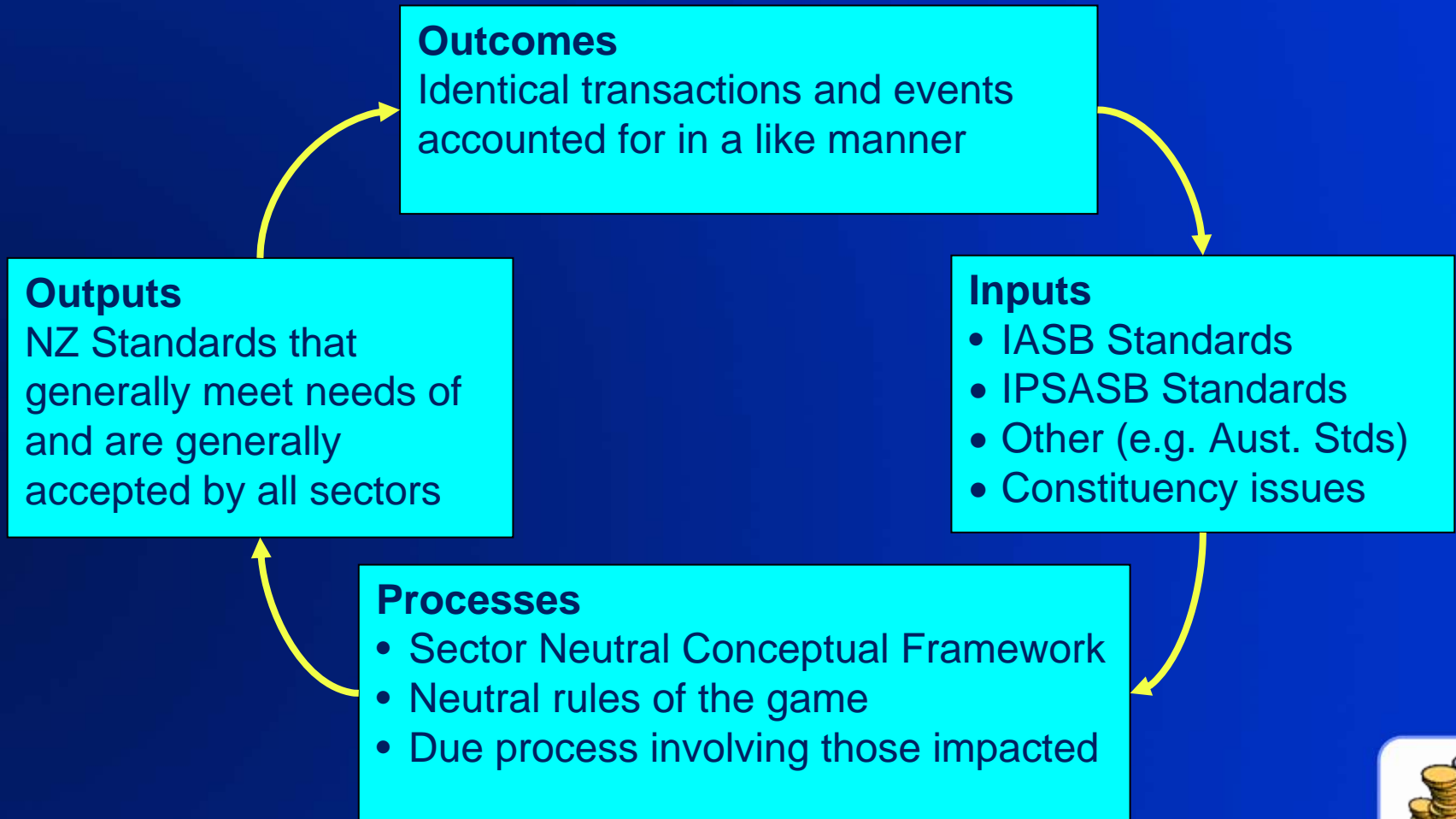


Transaction Neutrality !

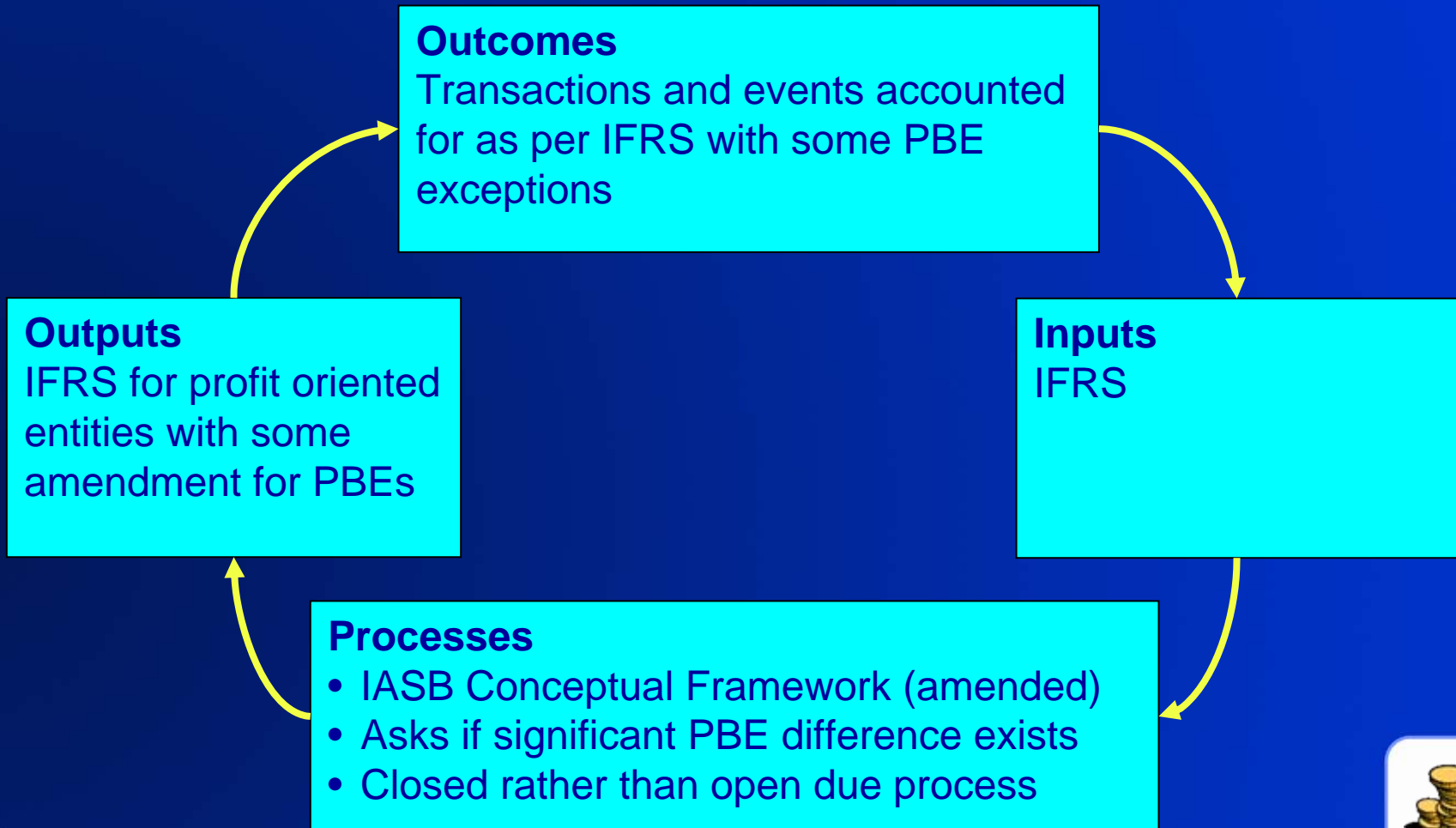
- One profession
- One Conceptual Framework
- One Standard Setter
- One set of rules
- Identical requirements for identical transactions



A transaction neutral standard setting system (pre IFRS)



A transaction neutral standard setting system? (post IFRS)



So is the public sector different?

- Objectives: Financial Performance
- Accountability v Decision-making
- Incidence of non-market transactions



Different Objectives→Different User Needs

Changing the focus of reporting

- From profit to public-benefit
- From growth in net worth to efficiency measures
- From going concern to sustainability



Accountability to Stakeholders

Stakeholder Engagement	Management Approach	Stakeholder Influence
Power	Stakeholder control Delegated Power Partnership	Forming or agreeing decisions
Involvement	Collaboration Involvement Negotiation	Having influence on Decisions
Tokenism	Consultation Placation Explaining	Being heard before a decision
Non-participation	Informing Therapy Manipulation	Knowledge about decisions



Incidence of transactions

- Taxes fees and levies
- Grants of permits and licences
- Donations, grants, transfers and other non-required items
- Acquisition, management and disposal of non-cash generating assets, including infrastructure, heritage and conservation assets, military equipment.
- Creation, management and allocation of tradable rights such as radio spectrum, fishing quota and emission units
- Receipt of voluntary services, and provision of uncompensated services
- Commitments to and delivery of social policy transfers



High quality public benefit entity reporting?

- Objectives: Financial Performance
- Accountability v Decision-making
- Incidence of non-market transactions



Our current problem

- We do not have adequate framework or processes for guiding amendments that should be made to IFRS for public benefit entities

Our current objective

- We need to develop standard setting processes and frameworks for public benefit entities that are legitimate, independent, transparent, high performing and accountable.



IPSASB – The institution

- 18 member standard setting board of IFAC
 - 15 nominated by IFAC member bodies, 3 public members
- Staff based mainly in Toronto
 - 6 staff plus leverage from National Standard Setters
- Transparent meetings
 - 3-4 public meetings each year, observers, papers on website
- Due process



IPSASB Credibility

- UN System
 - 28 bodies including UN World Food Program
- OECD, NATO, EC, IFAC, INTERPOL
- Switzerland, Israel, South Africa
- Intention to adopt: Brazil, Russia, India, China



IPSASB – Assessing the institution

- Legitimacy
- Independence
- Transparency
- Performance
 - Technical competence, responsiveness, efficiency
- Accountability



Conclusion

- High quality public sector accounting standards are important
- Our current processes do not adequately consider context, user needs or many of the transactions critical to the public sector.
- Our standard setting structure needs to be legitimate, independent, transparent, high performing and accountable.
- IPSASB, while not there yet, looks the strongest candidate.

