**Notes: Day 1 Session 2 (iii)**

**Relevancy of Fund Accounting**

- So what is Fund Accounting?
  - Fund accounting involves managing funds and other assets of an activity within a discrete accounting unit called a fund. This holds these resources and associated activities separate from other funds, assets and activities.
  - The purpose behind Fund accounting is that it ensures accountability and stewardship through transparency achieved by the separation of certain activities from other activities and funds allocations (primary aim is to ensure stewardship - where was the money spent? Are assets being managed properly?).
  - Both these elements can in practical terms be achieved by output budgeting (or program budgeting) and reporting. The budgeting framework can limit or prevent transfers of allocations between items, just as well as the separate "fund" can maintain separation.
  - Fund accounting makes difficult an overall performance picture of the management entity, because activities are being accounted for separately under that framework.
  - Where there is a legal obligation to keep funds or assets separate, such as bequests, donations, loans, moneys held in trust, the Fund does serve this purpose. This Trust Fund therefore remains a valid structure to maintain.
- Accrual accounting is does not necessarily conflict with fund accounting. Where a fund might be treated as a discrete reporting activity, whether or not it is a reporting entity, the Accrual Accounting framework can equally apply to a Funds accounting structure.
  - A fund may be a separate reporting entity or a unit within another entity
  - Accounting need not be affected by the separate funds, other than applying the control criterion (e.g. to Trust moneys which are not controlled by the entity)
  - If separate funds are controlled by a reporting entity, they are consolidated into one report under accrual accounting. The general purpose reporting format continues to facilitate reporting of discrete activities where there is a user interest and need for that information.

**Considerations in the Australian context**

- Consolidated Revenue Fund established under the Constitution S.81. Is a notional fund and is not itself reported. Consolidated Revenue Fund is also established as the Australian Commonwealth Government's main bank account. A summary statement of balance is reported in a Note to the Consolidated Whole of Government financial statements.

- The Commonwealth's Financial Management and Administration Act (FMA Act) makes provision for funds to be established for specific purposes.
- Funds may also be established by any other Act by and are authorised to spend their funds or receive and spend additional appropriation monies under the FMA Act.
- The Australian Commonwealth Government currently operates 181 special accounts, or funds, and continues to see these as having advantages in serving the specific purposes of the associated activities.
- Other Trust moneys are funds established and operated by each reporting entity (each department). Prior to the Australian reforms, a single Trust Fund (Trust Fund and Other Trust Moneys) used to be administered by the Department of Finance centrally.
- Australia no longer has a Loan Fund. Australian debt is managed by the Department of Finance and Administration and the Australian Loan Council recommend allocations each year to the States and Territories. Where Government agrees, these allocations are appropriated through the budget appropriations. This is all disclosed and reported in the Budget Paper No.3 each year and reported within the Whole of Government Financial Statements of the Commonwealth (both budget and actual).