

Worksheet – Group 1

Policies: Income and Expenditure – Issues and Challenges related to:

- Identification
- Recognition
- Measurement
- Disclosure

Implementation Strategies:

- Opening Balance (Data Collection) for amounts not previously recorded using cash method but belong to prior periods
- Migration

Considerations in the Australian context:

- Departments/agencies are not sovereign in their own right – Commonwealth of Australia (FMA Act/CAC Act/GBEs)
- Recognition of the power to tax and when should be recognised in the accounts
- Recognition of grants and subsidies – when to recognise the expense (as and when it falls due or when paid by the C'wealth to departments/agencies/State & Local Governments)
- Redefine the appropriations process in terms of outputs
- Financial legislation to support the changes (amendment to the FMA Act in 1999– the Constitution did not require amendment due to the design of its original drafting)
- Redefine accountabilities and remove those things over which departments/agencies do not have control
- Centralised cash system
- In terms of IMF – balance to underlying fiscal balance or underlying cash? Defence did not move to an accrual budget until 2001 but balance to underlying cash. The rest of the Commonwealth balances to the underlying fiscal balance
- Improvement in financial management – whole costs are recognised and in the period in which the belong
- Risk management – what strategic assurance role is there to be – improvements in internal audit
- What is to be devolved to departments/agencies
- Reporting structures
- Performance measurements
- Constraining departments/agencies accounting policies – setting the parameters OR allowing departments/agencies to formulate own policies – to take charge of their own spending priorities within boundaries/guidelines
- Staff training paramount – continual staff training offered through the Institute of Chartered Accountants in Australia; CIPFA; CPA; and post graduate University courses
- Specification of systems requirements

- Integration of accounting systems so that were no more “off-line” systems. Created the ability to take advantage of the new modularised systems to gradually ‘turn-on’ components.
- Financial assurance over balance sheet items – most problematic in agencies holding large fixed assets (Depts Finance & Deregulation and Defence). Defence remains problematic.
- Increased use of the Australian National Audit Office for both performance and financial audit
- Introduced capital use charge – did not work nor drive the behaviour required removed within two years of introduction
- Devolved banking to departments/agencies – returned to modified central banking system to pool cash for Treasury to invest
- Cashflow statements paramount – decide method to adopt: direct or indirect
- Communication and internal marketing – everyone on the journey
- Introduction of capital budgeting
- Establishment of Future Fund
- Modified cash appropriations – accrual budget remains but modified cash released – central agencies return cash to cover depreciation and amortisation (feeds into capital resourcing through capital budgets)