

Breakfast Event: Future of Public Sector Accounting hosted by CA ANZ, February 2017

KEY DISCUSSION POINTS

Presentation 1: Ian Carruthers – Chair, IPSASB

- IPSASB has 17 volunteer board members.
- Developing 2019-2023 work plan and strategy.
- Public consultation in 2018.
- Challenges: non-exchange transactions; social benefits; state pensions; heritage assets.
- Accrual accounting is necessary.
- Cash based reporting has a standard but just a point on the journey to accrual accounting.
- 31 % of governments account on an accrual basis.
- In five years' time project it will be 71 % of governments as momentum is building.
- Public financial management is complex landscape with different players.
- Look at the balance maintaining/increasing IFRS convergence given where IPSASB constituents are with adopting accrual basis.

Presentation 2: Kris Peach – Chair, AASB

- AASB take IFRS and modify for public sector and NFP sector.
- AASB is informed by IPSASs.
- Social benefits is a gap in Australian standards so will follow IPSASB project closely.
- Benchmarking exercise being undertaken to see how close AASB standards and IPSASs are.
- Are identifying gaps in Australian public sector reporting. Could future IPSASs be incorporated into AASBs?
- AASB 13 broadly working but need extra guidance eg heritage, restricted assets.
- AASB 1049 to be reviewed. Is it achieving what it needs to? Cost/benefit trade off. Is it the best use of government funds?
- What about tax revenue? It doesn't fit the definition of a financial instrument so not accounted for as one. Even though it looks and feels like a financial receivable.

Panel discussion

Panellists were: **Geraldine Margarey**, **Alison Ryan** and **Vivian Hardjono**, CA ANZ; **Karen Sanderson**, NSW Treasury; **Ian Goodwin**, NSW Audit Office; **Russell Coleman**, Deloitte; and **George Bogdanovic CA**, Councillor, NSW Regional Council, CA ANZ.

- Why IPASB and what difference can it make?
 - Accrual accounting for government relatively young.
 - Intergenerational equity and how you consider in balance sheet going forward.
 - Debt crisis showed not all governments are debt worthy.
 - How do you maximise a government balance sheet if you don't actually have a balance sheet?
 - Need independent standards, need professionals to apply them and need independent auditors.
- Harmonisation with frameworks, IFRS and government financial statistics.
- Role of AASB.
 - More focus on international standards eventually.
 - Focus on financial standards but much bigger than that. AASB contributes to standards but does not drive it.
 - Sets standards in public sector but likely to change in future with more globalisation.
- IFRS convergence is an important issue. Public sector is part of NSW economy and should measure its role in it.
- Are we reporting the right things?
 - Discount rates project. Backward looking but doesn't help where we are going and the future.
 - Information that informs choices looks backwards and accounts for money spent. Influence though is informing future decisions.
- Value of audit and role of audit.
 - Trust and confidence in government institutions.
 - Role of A-G trusted, independent reviewer.
 - Bring insights beyond reporting.
 - Framework is not broken and is robust. Just trying to make it better.
 - Audit qualifications in public sector are often due to the framework giving the wrong answer.

- Valuation/fair value issues
 - Public sector measurement needs more work.
 - Market value not always appropriate with public sector assets eg roads, schools where you hold for service potential not to sell.
 - IPSASs talk about current value.
 - Debate around what is valuation for and how do you use it?
 - Spend a lot of money on valuations and often not a good argument of why it is being done.
 - Can improve information for the state at a lower cost.
 - Knowing value is important but methodologies are not great.
- Who should be reporting externally?
 - Not getting the cost/benefit trade off right.
 - Need to see if there are any external users as sometimes don't have and spending a lot of money on reports that no-one uses.