

The Importance of an Accounting
Conceptual Framework for Public Sector
Financial Reporting

David Pendleton FCPA
Chair, Public Sector Centre of Excellence, CPA Australia



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Why is an accounting conceptual framework important?

- What is an accounting conceptual framework?
- Foundation for and integral part of the development of accounting standards
- Primary guidance document used in shaping and maintaining accounting standards
- Needs to be the foundation for developing standards for all types of entities – for profit / not for profit, private sector / public sector, large / small



Australian Accounting Conceptual Framework -Statements of Accounting Concepts (SAC)

Pre-2005

- SAC 1 *Definition of the Reporting Entities*
- SAC 2 *Objectives of General Purpose Financial Reporting*
- SAC 3 *Qualitative Characteristics of Financial Information*
- SAC 4 *Definition and Recognition of the Elements of Financial Statements*

Adoption of IFRS in 2005

- SAC 1 *Definition of the Reporting Entities*
- SAC 2 *Objectives of General Purpose Financial Reporting*
- *Framework for Preparation and Presentation of Financial Statements*



Australian adoption of IFRS on Public Sector Financial Reporting

- Impact on the Australian accounting conceptual framework
 - Existing framework not meeting the reporting needs of public sector
- IFRS originated with private sector in mind
 - Geared towards profit-oriented sector
 - Still several public sector issues
 - Cash flow focus
- Key elements of public sector financial reporting are different



The Way Forward

Some Suggestions

- AASB to re-visit the Australian conceptual framework
 - an Australian solution ensuring its relevance to all sectors of the Australian economy
- AASB continue its current engagement with the Australian public sector to address the public sector reporting needs by key stakeholders such as ACAG, HoTARAC & CPA Australia

International

- International Accounting Standards Board/Financial Accounting Standards Board
- International Public Sector Accounting Standards Board



Summary

- Public sector financial reporting is different
- Australia needs to:
 - revisit the Australian accounting conceptual framework to ensure its relevance to the public sector
 - address the public sector reporting needs identified by key stakeholder groups
 - undertake more research on the needs of users of public sector financial reports