

**Parliament of Australia
Joint Committee of Public Accounts and Audit
Review of the Accrual Budget Documentation**

The Committee will inquire into the effectiveness of, and options for enhancing the format and content of, the current budget documentation including the Portfolio Budget Statements, Annual Reports and the Portfolio Additional estimates, for the purposes of Parliamentary scrutiny.

Submission by the Australian Bureau of Statistics (ABS)

The ABS would like to provide the following information to the Committee.

2 The adoption of accrual reporting by most Australian governments represents the major development in public sector financial management and budget documentation of recent years. Accrual measures provide a more comprehensive indication of the total activity of government and the long-term effects of current government policy than the traditional cash-based measures.

3 The Commonwealth's *Charter of Budget Honesty Act 1998* requires that the budget be based on external reporting standards, and that departures from applicable external reporting standards be identified. There are two main standards for public sector budgeting and reporting in Australia. They are (1) the ABS accrual-based GFS, which is an economic reporting standard for government based on relevant international statistical standards; and (2) The Australian Accounting Standard (AAS31) *Financial Reporting by Government*, which is the relevant accounting standard for financial reporting by governments.

4 GFS and AAS31 are equally valid systems. GFS is a framework designed to facilitate macro-economic analysis, including the integration of government financial activities within a broader statistical framework -- the national accounts. AAS31 is designed for general purpose financial reporting. While transactions are generally treated in a similar manner in the two systems there are differences due to their different objectives. These differences are described in the ABS Information Paper *Accruals-based Government Finance Statistics* (Cat. No. 5517.0).

5 The Commonwealth, State and Territory governments have an agreed framework -- *the Accrual Uniform Presentation Framework* (UPF) -- for the presentation of government financial information on a basis consistent with the ABS GFS. The primary objective of the UPF is to ensure that Commonwealth, State and Territory governments provide a common 'core' of financial information in their principal budget papers and the reporting standards of the GFS framework are employed to present a high degree of consistency in the preparation and presentation of financial data.

6 The ABS GFS system is based on international statistical standards set out in the *System of National Accounts 1993*¹ (SNA93) and the International Monetary Fund's *A Manual on Government Finance Statistics*. The GFS system is designed to provide statistical information on all Australian public sector entities classified in a uniform and systematic way. GFS enable policy makers and analysts to assess, from an economic perspective, the financial operations and the financial position of the public sector at either the level of a specific government, sector, or a particular set of transactions.

7 The principal Commonwealth budget documents such as *Budget Strategy and Outlook* (Budget Paper No1), *Final Budget Outcome*, and the *Mid-Year Economic and Fiscal Outlook* include Commonwealth government financial statements prepared in accordance with the ABS GFS standard. The ABS is involved in the preparation of these GFS statements through the provision of assistance to the Commonwealth Government on conceptual matters. Similar assistance is provided to State and Territory governments. The ABS provides a consistent point of reference for the interpretation of GFS standards and classification decisions across jurisdictions. Jurisdictions may present the information based on their interpretation of the GFS classifications, but must provide a reconciliation of this information with information reflecting the ABS decision on these issues in cases where the ABS has a different view.

8 The ABS uses data presented in, and underlying, the main Commonwealth budget documents listed above in compiling its GFS that are disseminated through various publications such as *Government Financial Estimates* (Cat. no 5501.0) and *Government Finance Statistics* (Cat. no 5512.0). Monthly data on the Commonwealth's financial transactions are a key input into the government sector component of the ABS quarterly publication *Australian National Accounts: National Income, Expenditure and Product* (Cat. no 5206.0).

9 In compiling its GFS, the ABS does not directly use the Portfolio Budget Statements, Annual Report, or Portfolio Additional Estimates, however the GFS statistics do reflect and are consistent with the data that underlie those documents, with appropriate adjustments to place them on a GFS basis.

10 Further information on GFS can be obtained from the Director, Public Finance Section, Australian Bureau of Statistics (phone (02) 6252 6718).

Australian Bureau of Statistics
May 2001

¹United Nations, International Monetary Fund, Organisation for Economic Cooperation and Development, World Bank and Commission of the European Communities