Implementing Best Practice in External Reporting

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IMPLEMENTING BEST PRACTICE EXTERNAL REPORTING
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Introduction

There is a certain irony that many public sector agencies have more experience with external reporting on an accrual basis than internal reporting for management purposes.

This reflects the history of the introduction of accrual reporting and accounting at the Commonwealth level. Much water has flowed under the bridge since the first accrual based accounts were prepared by departments in the early 1990s and the current wave of reforms is flushing away the remaining obstacles to the integration of internal and external reporting, and Whole of Government reporting. There is still much to be done to win the hearts and minds of program managers and other stakeholders but aligning the key drivers and reporting systems is a good start.

This paper canvasses:

- the existing reporting requirements
- the needs of stakeholders against the background of the current public sector reform agenda; and
- other influences that are likely to shape external reporting in the future.

Its emphasis is primarily on financial reports and Portfolio Budget Statements prepared by agencies but the paper also considers annual reporting requirements where relevant. It reflects a broad perspective rather than a close analysis of financial reporting practices.

A real challenge facing preparers of external reports is how to distil the increasing complexity of today’s world (Government administration and reporting requirements) into a meaningful set of reports and related information that facilitates decision making and accountability. And having achieved that result, how can key performance information be displayed in a clear and concise way for the benefit of readers (stakeholders).
The key message is that the financial statements or the budget statements alone are only partially effective in communicating information to most stakeholders. Much more effort needs to be directed to communicating key financial information through other means. The point was re-enforced by an article in the *Australian Financial Review* on Friday (15 May 1998, page 55) where the Chairman of the Australian Shareholders Association said one of the elements of annual reports of most interest to shareholders included reviews of the year by the Chairman and Managing Director. He went on to say ‘the average investor places financial statements low on the list of priorities.’

**Current Requirements**

Under the current regime applying to Commonwealth agencies and entities the financial reporting requirements stem from:

- the Financial Management and Accountability (FMA) Act (for agencies)
- the Commonwealth Authorities and Companies (CAC) Act (for statutory authorities, that is entities); and
- the Corporations Law (for companies).

The annual reporting requirements stem from:

- the Public Service Act (for agencies)
- the Commonwealth Authorities and Companies (CAC) Act (for statutory authorities and companies); and
- the Corporations Law (for companies).

Leaving aside companies, both the FMA and CAC Acts require the preparation of financial statements in accordance with requirements established by the Minister for Finance and Administration; and both Acts require the financial statements and audit opinion thereon to be included in the agency’s or entity’s annual report.

The Minister for Finance and Administration issues guidance to agencies and entities on the disclosures required in financial statements and may also require reporting more frequently than annual. The guidelines apply all Accounting Standards and in addition preparers must have regard to Statements of Accounting Concepts and Urgent Issues Group consensus views.
Less discretion is allowed to preparers in the presentation of information on the face of the statements than Accounting Standards would generally provide for two reasons predominantly:

- to allow alignment of information for the preparation of the consolidated (Whole of Government) accounts; and
- for the benefit of readers of the financial statements.

There is currently a significant disconnect between the information presented in the financial statements of Commonwealth agencies and the rest of the information presented in agency annual reports; and also the information presented in Portfolio Budget Statements. This reflects (history and) the dominant role of the cash budget in the operation of departments and for Parliamentary scrutiny.

An attempt to at least recognise the great divide between financial statements and the rest of the annual report was made in 1994-95 when the annual report guidelines issued by the Department of Prime Minister and Cabinet required program summaries in annual reports to be on both a cash and an accrual basis. However, this was more a victory of form than substance and it is today an area which requires close attention.

Another key document for Commonwealth agencies is the Portfolio Budget Statements (PBSs) prepared by portfolios in accordance with guidance issued by the Department of Finance and Administration (DOFA). PBSs are different from annual reports and financial statements as they are ministerial documents recognising ministerial accountability to the Parliament.

Many of the developments in annual (and financial) reporting to date have been the responsibility of particular areas of the coordinating agencies and to some extent this is reflected in the requirements we have today - there has been only limited integration of requirements. It may be that in the next generation of core public sector legislation annual reporting and financial statement requirements will be in the same Act of Parliament.

As always, the regime of incentives and penalties can play a strong influence on behaviour. Financial reporting is no exception. To date, the emphasis has been on a compliance culture and, in some respects, this is to be expected given the need to adhere to formal requirements and the limited skills available to agencies.

In considering the prospects for change and some of the likely influences inducing change, this paper draws on experience with respect to the ongoing
development of financial statements and PBSs in the Commonwealth public sector and, where relevant, annual reports.

Stakeholder Requirements

Any analysis of external reporting requirements should give priority to stakeholder requirements - after all, the purpose of external financial reports and annual reports is to disclose to users, who are not in a position to command special purpose reports, information for decision making and accountability purposes.

The Executive

A very strong direct influence on the public sector environment and stakeholders is the Government’s reform agenda. As indicated in a recent paper by the Auditor-General(#1):

The Government’s acceptance of the basic principles set down by the National Commission of Audit for determining what activities should be undertaken within the public sector has led to an increased focus on privatisation and outsourcing of government services and activities(#2). However, it has also meant that even ‘core’ government services have become more contestable. In some instances the public service is being, or will be, put in a more directly competitive position with private sector providers.

The key message is that the APS is an important element of the government’s micro-economic reform agenda. One consequence is that it is no longer considered appropriate for the APS to have an unquestioned monopoly even in traditional service delivery areas such as policy advice and in the determination and provision of welfare entitlements. The APS must now prove that it can deliver government services as efficiently and effectively as the private, or non-profit, sectors.

A key element in the Government’s public sector reform agenda is the implementation of an integrated accrual-based, outcomes and output focussed resource management framework from 1999-2000.

This is a very significant event not only because of the change in the accounting basis but more significantly because of the change in budgeting arrangements which the Minister’s announcement foreshadows - the most significant change in budgeting and accounting since Federation.
The budget has always been used as a key lever for Commonwealth public sector reform and the current proposals certainly underline this. We will see:

- a stronger alignment between the total cost of service delivery and outputs and outcomes
- a one-line agency appropriation (Parliament willing) based on the price of outputs (and the demise of the Running Costs arrangements); and
- multi year resource agreements which are based on the agreed outputs to be produced and related prices.

These arrangements, which will rely on audited departmental financial statements to maintain their integrity, will result in significant changes to departmental systems, Portfolio Budget Statements and annual reports.

The Department of Finance and Administration (DoFA) has indicated the accrual framework will be the tool for examining outputs and outcomes. Under the framework, government as a whole and each agency will identify, budget and account for the outputs for which they are responsible and which are necessary to achieve planned outcomes. This in turn will allow a better focus on:

- what is produced
- why it is produced
- how well it is produced; and
- at what cost it is produced.

The new framework picks up the distinction between controlled and administered transactions which has formed the basis of agency financial reporting since the introduction of accrual reporting. The emphasis, however, is very much on costs and revenues controlled by agencies in producing outputs thus providing a sharp emphasis on the cost of production; and establishing a platform for greater contestability in service provision.

The budgeting model is consistent with the Government’s reform agenda for the public sector and draws on the fundamentals espoused by the Audit Commission. It is conceptually sound but a range of implementation issues still need to be worked through.

There are, of course, risks in taking a straight ‘bean counting’ approach to public sector service provision without having regard to public interest considerations. It is to be hoped that the new arrangements involved are
'beyond bean counting' as indicated by the recent MAB/MIAC publication of the same title.

That said, the new framework will have a very significant effect on external reporting due to:

· the tighter linkage between costs of agency operation to outputs and outcomes
· program statements being disposed of in favour of a presentation focussed on outputs and outcomes
· the folding in of the costs of traditional corporate management programs, and allocation of such costs to other programs (and outputs); and
· new policy, savings options etc being separately identified as changes in outputs.

The clear message is that agencies should be focussing on the implications of these new arrangements now because the implementation timetable provides for agencies to have constructed by late 1998 estimates in accrual form for the 1999-2000 budget processes.

Budget papers for 1999-2000 are to reflect the new basis so that resources (based on current estimated levels) are directly attributed to outputs and outcomes.

DoFA plans that after the 1999-2000 budget, the price of all outputs will be reviewed by agencies so that the budget for 2000-2001 and the out years can be established on the price of outputs agreed between agencies and DoFA.

The Parliament

Apart from the Government, the Parliament is a key stakeholder in these developments.

The Parliament has taken a close interest in matters relating to financial reporting in the Commonwealth and been a supporter of the significant reforms to the public sector we have seen since the mid 1980s.

The Joint Committee of Public Accounts and Audit (formerly the Joint Committee of Public Accounts) and the Senate Finance and Public Administration Legislation Committee have taken leading roles in scrutinising
reporting practices and proposing amendments to better suit the needs of Parliament. Taken together these committees have endorsed:

- the adoption of accrual accounting budgeting and reporting by departments
- whole of government reporting
- the charter of budget honesty
- the form of the Portfolio Budget Statements; and
- annual report guidelines prepared by the Department of the Prime Minister and Cabinet

As you would expect, the Government and the responsible central agencies have had regard to the majority of issues raised by the Parliament and its committees in this context. Of the more recent reports, the views of the Senate Finance and Public Administration Legislation Committee on PBSs are noteworthy looking as they do to the future:

At present, we have a situation where the PBS and the process for which they are intended are basically mismatched and neither, it must be said, contributes particularly well to the ostensible purpose of assisting in the passage of the Appropriation Bills. But with the last year of program budgeting approaching, now is not the time to attempt change, when the parameters within which we will be operating within the very near future will themselves bring about major change in the structure of the PBS.

In the view of the committee, the PBS should continue, pre- and post-accrual budgeting, as relatively concise documents which do not attempt to second guess individual senators’ interests but which adhere broadly to standardised guidelines, though allowing reasonable scope for presentational needs of individual portfolios. The time has long since passed when the PBS could be a stand-alone accountability document. They should, however, continue to note references to related public documents such as annual reports, evaluation reports, audit reports, corporate plans, et cetera.

Rather than recommending change to the PBS in a probably vain effort to oblige them to cater more adequately for estimates hearings, the committee advocates the more extensive use of pre-hearing briefings, possibly even by way of inviting the relevant portfolios’ Assistant Secretary, Budgets (or equivalent) to a scheduled legislation committee meeting. In doing so, it is mindful of the arguments against this process - that it is not on the public record, and therefore of little use in formal accountability terms. The committee points out that there are positive advantages to private briefings; they can encourage a less adversarial
approach to the estimates; they limit grandstanding; they can accommodate the particular private interests of individuals senators without wasting time in formal hearings; the vagaries of the budgeting process can be explained; they can be a forum in which broad lines of questioning to be undertaken at the public hearing can, where appropriate, be raised to ensure that the appropriate officersattend and are well briefed.

The Committee went on to flag issues raised in the move to accrual budgeting which at the time of their report remain unanswered including(#4):

- the extent to which longer term trend analysis will be exposed in the PBS
- the extent of the additional estimates process
- depreciation rules for discretionary and non-discretionary assets
- comparability of treatment of assets across portfolios; and
- clarification of input from the Appropriation Bills, annotated and special appropriations.

The Committee also noted however that(#5):

Accrual appropriations, however, could also be fairly cumbersome if the vital distinction between matters which the Senate cannot amend (appropriations for the ‘ordinary annual services of the government’ as outlined in section 53 of the Constitution and encompassed in the present Appropriation Bills Nos. 1 and 3) and matters about which it can request amendments (capital works, items of plant and equipment, grants to the States, and new policies, as encompassed in Appropriation Bills Nos. 2 and 4) is maintained as it must be. The committee notes that what is encompassed in the latter bills has become increasingly blurred in recent years over items such as computing equipment and welcomes the opportunity offered by the move to accrual budgeting to reestablish clear distinctions and precise and clearly understood capital thresholds.

The Committee indicated it wished to see comparable agency performance information over time and comparable inter-agency performance information - requiring very careful thought to be given to the nature and size of the output classes and the measures of performance. The Committee also cautioned against unrealistic expectations of the improvements accrual budgeting may bring citing Allen Shlick’s recent review of the New Zealand reforms which noted the following(#6):
almost 500 output classes were described, resulting in difficulties in developing performance indicators and describing them succinctly without overloading the estimates

· a ‘truly extraordinary’ disproportion between the largest and smallest output classes, despite materiality tests

· several changes to the format of the estimates; and

· complications in the allocation of overheads and other indirect costs amongst the various output classes.

These views expressed by the Senate Finance and Public Administration Legislation Committee give a clear steer as to issues the Committee would want to be addressed in financial reporting by Commonwealth agencies.

The Department of Finance and Administration has a key role in informing Parliament (and its Committees) about the accrual concepts and the interpretation of financial reports. It is critical to the success of this reform agenda that Ministers and other Members of Parliament gain an early appreciation of the fundamentals and have an early opportunity to influence the financial reports that are prepared for their purposes. The Joint Committee of Public Accounts (JCPA), in Report 341 Financial Reporting for the Commonwealth stated very clearly that:

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\text{it is Parliament which should determine the type of financial reports to be presented for its consideration.}
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**Other Influences that are Likely to Shape External Reporting**

The Government’s reform agenda clearly is (and should be) taking centre stage but longer term influences on financial reporting will also come from both institutional and entity best practice developments.

**Institutional Developments**

Institutional developments include:

· adoption of the Cadbury Code’s guidance on internal control for UK listed companies

· a statement of the main corporate governance practices for Australian listed companies

· proposals for financial reports to include management discussion and analysis;
The Cadbury Code

The Committee on the Financial Aspects of Corporate Governance, know as the Cadbury Committee, reported in late 1992 suggesting a Code of best practice for companies in the UK to follow. A key element of the Code is that Companies should report on the effectiveness of their system of internal control. The Cadbury Code has been modified by guidance subsequently issued in late 1994 and requires directors to make a statement covering the following matters:

- acknowledgment by directors that they are responsible for the company’s system of internal (financial) control
- explanation that such a system can provide only reasonable and not absolute assurance against material misstatement or loss
- description of the key procedures that the directors have established and which are designed to provide effective internal control; and
- confirmation that the directors; or a sub-committee of the board, have assessed the effectiveness of the system of internal control.

The London Stock Exchange requires all listed companies in the UK to include a statement in its annual report confirming it is complying with the Code or alternatively indicating reasons for any areas of non-compliance.

Auditors issue a report to the company regarding their review of the directors’ statement of compliance with the Code.

While such statements are a start, the Code as implemented is something of a half-way house in providing users with assurances about the system of internal control in operation. Its orientation is very much a description of processes rather than an assessment of the system of internal controls. The major benefit would seem to be the focus of boards on the system of internal control rather than the illumination it provides users of the financial statements - of course it is open to companies (and other bodies) to strengthen the level of assurance provided.

Statement of the Main Corporate Governance Practices

Such a statement was introduced for Australian listed companies from 1 July 1996 (Rule 4.10.3). The Stock Exchange provides an indicative list of
corporate governance matters that an entity may take into account when making the statement in its annual report under Rule 4.10.3 including:

- whether individual directors are executive or non-executive directors
- the main procedures the entity has in place for:
  - devising criteria for membership of the entity’s governing body
  - reviewing membership of that body
  - nominating representatives to that body
- the main procedures by which the governing body or individual members of it can seek independent professional advice, at the entity’s expense, in carrying out their duties
- the main procedures for establishing and reviewing the compensation arrangements for the Chief Executive Officer and other senior executives of the governing body and non-executive members of the governing body
- the main procedures the entity has in place for the nomination of external auditors and for reviewing the adequacy of existing external audit arrangements (particularly the scope and quality of the audit)
- the governing body’s approach to identifying areas of significant business risk and to putting arrangements in place to manage them; and
- the entity’s policy on the establishment and maintenance of appropriate ethical standards.

Management Discussion and Analysis (MD&A)

One topic which is receiving more air time in financial reporting is whether general purpose financial reports should require narrative disclosures to explain and expand on the statutory disclosures contained in these reports. These narrative disclosures, termed ‘management discussion and analysis’ would be designed to assist in providing users with a better understanding of the present position of the reporting entity and its likely future performance.

The External Reporting Centre of Excellence of the Australian Society of Certified Practicing Accountants recently issued a discussion paper on Management Discussion and Analysis which has recommended that the provision of a ‘Review of Operations and Financial Position’ should be mandatory and should include:

- a statement of the entity’s objectives and strategies
- a review of operations and financial position
- material events and economic changes
- changes in discretionary expenditure
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- major risks and uncertainties relating to operating activities
- future orientated financial information
- activities designed to enhance future revenues and profits
- material changes affecting future operating results
- cases where previous MD&A reports were not supported by later events
- the expected effects of inflation; and
- other information
- current uncertainties and important factors facing the industry and reporting entity
- an analysis of risks
- effects of pending legislation or accounting standards
- environmental concerns.

The MD&A reports are intended to provide a framework of consistent qualitative information in general purpose financial reports. While many report preparers currently provide narrative information attached to their general purpose financial statements, there are no requirements which cover such disclosures and thus the information may not be comprehensive and is generally not comparable with other organisations.

The MD&A reports signal a development which will influence financial reporting as we know it today. There is no compulsion for reporting entities to include MD&A reports and the Government has decided, in the context of the Corporations Law Review Bill, that such reports should be at the companies’ discretion.

Harmonisation of Accounting Standards

Harmonisation of Australian accounting standards with those of the International Accounting Standards Committee (IASC) is currently dominating accounting standards setting in Australia. The IASC is to seek endorsement of its standards by the International Organisation of Securities Commissions (IOSCO) in 1998.

The objective of the program is to change Australian standards and influence the development and change of standards issued by the IASC so that by the end of 1998 an Australian reporting entity complying with Australian standards would also be complying with IASC standards. The end goal is to improve the efficiency of Australian capital markets (in recognition of the fact that the globalisation of capital markets has increased the demand for high quality, internationally comparable financial information) and improve the accountability of private and public sector reporting entities. I should add for
the record that compliance with IASC will not necessarily ensure compliance with Australian accounting standards.

It is noteworthy that IASC standards generally only apply to private sector reporting entities. Thus the harmonisation of accounting standards may seem distant to public sector preparers. However, the policy in Australia adopted by the Public Sector Accounting Standards Board and the Australian Accounting Standards Board is that the same standards should apply to all reporting entities in both the public and private sectors to the extent possible. This requires both Boards in Australia to work closely and will result in changes to public sector requirements as a result.

Many of the changes will be accommodated without too much difficulty - two of the more noteworthy changes in prospect include:

- Asset revaluation
  - a cost or revaluation basis must be elected for each class of assets and once on the revaluation ‘treadmill’ there is no option to revert back to the cost basis; and the carrying amount of each asset must be kept up to date so that their carrying amount is not materially different from the asset’s fair value
- Segment reporting
  - information is likely to be required to be reported for business segments (as per internal organisational structure) and geographic segments instead of industry segments and geographical segments. One basis of segmentation is to be the primary basis of segmentation and the other is to be the secondary basis
  : this reflects an emphasis in standards setting on performance reporting; and a recognition that items having higher predictive value should be distinguished from those having lower predictive value

The Public Sector Accounting Standards Board and the Australian Accounting Standards Board have currently issued 17 Exposure Drafts as part of the International Harmonisation Program, of these, we have seen six new or revised standards issued to date. This is a major program by the accounting bodies.

Corporate Law Economic Reform Program (CLERP)

The Treasurer in launching the first proposals for reform under CLERP indicated that
CLERP is a program to modernise Australia’s Corporation Law and give it an economic focus. Our aim is to introduce world’s best practice in business regulation. It is part of the Government’s broader goal of making Australia a leading financial centre in the region.

Key aspects of the reform which affect institutional arrangements for accounting standards include:

- Australia is looking to adopt accepted international standards
- improved institutional arrangements for standard setting including the establishment of a Financial Reporting Council (FRC) and a new standard setting body - a new Australian Accounting Standards Board (AASB); and
- funding for the accounting standards setting process totalling approximately $10m over the next three years jointly provided by government and the private sector.

Subject to the agreement of the accounting bodies and State and Territory governments, the AASB will have responsibility for making accounting standards in respect of public sector, non-corporate and non-profit entities. Public sector interests would be represented on the FRC and AASB. And as is currently the case, it would be left to each government to determine the legal effect of accounting standards made by the AASB in respect of public sector entities falling under their responsibility. It is to be expected, however, that there will be changes to Accounting Standards which will affect financial reporting by public sector agencies.

Assuming these proposed arrangements become law (the legislation is scheduled for introduction on 12 May 1998), the public sector will be most interested in the priority to be accorded public sector issues by the FRC and AASB. Certainly public sector interests have expressed concerns that if the new arrangements established for Australian standard setting are not perceived to adequately represent public sector interests, there is a danger that those interests could move to establish their own standard setting arrangements.

Best Practice Developments

Clearly the institutional developments referred to earlier are seen as best practice initiatives. It is, however, possible to get a lead on other best practice developments by reviewing reports that have been highly regarded by bodies that give annual reports awards and, of course, by reviewing a range of reports and observing effective techniques.
A good starting point in assessing what has to be done to elevate the standard of your annual report is to read what the judges of the Institute of Public Administration Australia (ACT Division) say about the Annual Report Awards(#9). The most recent report indicated that:

· while the standard of reporting by some departments had improved significantly in recent years it was equally clear expectations about performance reporting had also increased
· best reports maintained a consistently high standard throughout the entire document
· a consistent editorial approach aided presentation, readability and understanding; and
· where significant aspects of agency operations are outsourced, reporting on the performance of contractors should feature.

The assessment criteria in respect of the finance information in annual reports does not appear to set an onerous standard - rather adherence to the guidelines issues by the Minister for Finance would cover most bases. In addition, appropriate performance measures should be provided (e.g. number of bad debts, length of delay in payment of accounts).

The bottom line from IPAA’s perspective is that a good annual report provides clear information about the agency’s performance; and candour is crucial.

The provision of accurate and reliable financial information is a key requirement of the Annual Report Awards established largely for private sector organisations. In general, organisations which provide relevant information over and above statutory requirements are well regarded. An attachment to this paper sets out the criteria in detail but key elements of best practice financial reporting include:

· an index to the Notes
· clear, concise notes explaining major changes in assets and liabilities and including specific information (rather than general statements) e.g. useful lives of major assets; and
· details of significant accounting policies such as derivatives and revenue recognition.

If, however, you wish your organisation to be in the best practice league in terms of financial reporting your financial statements should not be your sole focus. You will need to integrate financial information in the body of the annual report through, for example:
- comments on major programs
- diagramatical presentation of key financial information
- statistical summaries which compare performance over time, including
  - key balance sheet items
  - key profit and loss items
  - key performance ratios and other key financial and non financial performance indicators.

The organisations that give awards for annual reports publish criteria which are well worth reviewing (10) - indications are that the financial elements of annual reports account for around 20% of the assessable elements. And what makes the differences is:

- the presentation of additional information that is generally not required by regulation or accounting standards
- substance over form; and
- an emphasis on dynamic information rather than static information (that is information which is largely consistent from year to year).

While on the subject of best practice financial reporting, Price Waterhouse has published a survey which shows best practice demands the production of year end results within five business days - this is achieved by only 7% of organisations surveyed in Australia. If this is considered tight, North American best practice demands the productions of year end results within two days.

As you would expect the fundamental requirement for this performance is quality financial systems but other factors noted by Price Waterhouse include:

- effective year end planning
- preparation of proforma accounts prior to year end which are reviewed and approved by senior finance management and external auditors
- on going liaison with auditors to resolved accounting and disclosure issues as they arise
- calculation of all prospective provisioning requirements prior to year end with a further review prior to finalisation of results; and
- early completion of year end reconciliations within agreed materiality limits
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It is also noteworthy that just under 13% of organisations are using hard closes prior to year end as means of improving the year end process - this allows the early identification and resolution of issues and the resulting faster turnaround of results at year end.

Conclusion

Today, Government budgeting, accounting and reporting are undergoing the most significant changes since Federation with the acceptance of accrual concepts as their underlying basis. The changes are especially significant given the role of the budget has played traditionally in public sector reform.

They will require a range of changes to our key external accountability documents (financial statements, PBSs and annual reports) but also present a fresh opportunity for agencies to upgrade disclosures in the light of best practice developments.

This will be important as many users of financial reports prepared by Commonwealth agencies will not be familiar with accrual accounting concepts or the reporting changes arising from output-outcome budgeting. The material being presented will require a perspective that is beyond bean counting and which is fully integrated with other material presented for external stakeholders.
Attachment
Annual Report Awards(#11)

It is expected that the financial statements will not be too brief, cover activities of associated companies where appropriate, and comply with relevant legal requirements. In particular, the coverage should include:

- A balance sheet
- A profit and loss or income and expenditure statement, as appropriate
- A statement of cash flow
- Clear, concise notes explaining major changes in assets and liabilities and including specific information (rather than general statements) e.g. useful lives of major assets
- Other desirable features of notes, such as:
  - An index to the Notes
  - Description/treatment of abnormal/extraordinary/unusual items e.g. disposal of business, sale of assets, restructuring costs
  - Names and activities of major subsidiaries
  - Relevant details in each circumstance relating to prior year(s)
  - Explanations of large losses of subsidiaries
  - Franking account balance reported
  - Details of significant policies such as derivatives
  - Revenue recognition
  - Segment disclosures meaningful (particularly unallocated) and consistent with body of Report
- Comparative figures covering at least the last financial year
- Cross references between the statements and the notes
- A signed statement from the directors as to their view of the financial statements
- ‘Significant changes’ identified by at least a cross-reference (and not by general statement of ‘as reported elsewhere’)
- A signed report from the Auditor

Endnotes

1: Barrett, P.J. Risk Management as Part of the Initiatives for Greater Public Sector Accountability, Risk Management in the Public Sector Seminar, Canberra, 18 March 1998


4: Ibid., Chapter 4, (page 4)

5: Ibid., Chapter 4 (page 4)

6: Ibid., Chapter 4 (page 5)

7: Australian Society of Certified Practicing Accountants External Reporting Centre of Excellence, Management Discussion of Analysis - An Australian Perspective, 1996

8: Treasurer, Media Release First Release of Corporate Law Economic Reform Proposals - Building International Opportunities for Australian Business.

