

Allan Barton Memorial Lecture 2024

Public Sector Accounting Contributions to Better Government

**Commentary by Brad Medland, Chief Financial Officer,
Department of Foreign Affairs and Trade**

Thank you, Ian, and my thanks to CPA Australia and the Australian National University (ANU) for convening this event and asking me to provide the commentary to Amy's presentation.

I would also like to acknowledge the Traditional Owners of the land we are meeting on today.

In preparing for today's commentary, I have developed a greater appreciation of the considerable influence Professor Barton had on the theory and practice of accounting and on Australian Public Sector accounting more broadly.

I have, as an ANU economics and accounting graduate, certainly benefited from Professor Barton's work.

Thank you, Amy, for your insights into the contribution Public Sector accounting has made to better Government.

In your role at the Department of Finance you are uniquely placed to see the effect that is being made by Public Sector accounting and finance professionals, and to continue to drive change, building on the reforms you have outlined.

I would also like to acknowledge the significant role you, and your predecessor, Tracey Carrol, have made in elevating the importance of the accounting and finance profession in the Public Sector, working with portfolio CFOs to attract enthusiastic graduates through the Accounting and Financial Management graduate stream.

I know the Department of Foreign Affairs and Trade are actively supporting this program and see it as an important means to build our finance workforce.

Accountability in the Public Sector means that governments, politicians, agencies and Public Servants are held responsible for their financial decisions and actions.

In a democracy, accountability is essential in establishing and maintaining trust.

Without trust, our institutions struggle to function effectively day to day and are unable to respond well to global events such as economic downturns or public health emergencies.

Amy has outlined the significant Whole of Government reforms and changes that have been made over the last 25 years. These reforms have been central to improving accountability.

As a portfolio CFO working within the Public Service for much of this time, I would like to draw on my experience interpreting, translating, and applying these changes within a portfolio Department

There are four key themes that I would like to pick up and draw out from Amy's presentation.

These are

- Changes and the need to convey them effectively
- The importance of financial literacy across the public service
- The use of data and the presentation of information
- And finally, the workforce

Changes and the need to convey them effectively

There is no doubt there has been significant and positive reform in Public Sector finance over the years and Amy has nicely outlined some of those reforms, largely at the macro level, with the move from cash to accrual as the perfect example.

There has been ongoing change at all levels, including to the accounting standards, or, as circumstances evolve, to the accounting treatment of transactions captured by the accounting standards.

Finance professionals are critical to successfully implementing change, whether sector-wide or small-scale. They must not only interpret and implement change, but also explain them to non-finance colleagues in a way that makes sense.

A good example of this critical role occurred during my time at the Department of Infrastructure.

- One of the department's Administered investments moved from the build phase to the operation phase
- As a result, the department transitioned from a Net Book Value valuation to a Discounted Cashflow valuation
- The complexity associated with the change was significant.
 - o Explaining the rationale for the new approach, the key drivers for the change in valuation and considering the implications when this information became public all needed to be carefully considered, and importantly, conveyed in language easily understood – the finance team was central to this task and needed to understand the technical complexities and draw on their communications skills to explain and facilitate the change.

Developments will continue, and Amy has flagged the move to sustainability accounting as the next big transformation.

Finance and accounting staff will be at the centre of this and will be a key determinant for how smoothly the transition within Government occurs.

It is worth noting that this change is not just occurring at the macro level and to the accounting standards and associated accounting treatment.

It is also occurring to the financial framework within which the Public Sector operates.

While the Public Governance, Performance and Accountability Act 2013 (PGPA Act) has been a constant since the move from the Financial Management and Accountability Act in 2013, the rules and guidelines beneath the PGPA Act that provide the detail – including the Commonwealth Procurement Framework (Commonwealth Procurement Rules) and Commonwealth Grants Framework (Commonwealth Grants Rules and Principles 2024) - have continued to change over the years

- A good example of this was the release of updated Commonwealth Grant Rules and Principles, earlier this month (1 October).

Without finance professionals interpreting, translating, and applying these changes within agencies they cannot be effectively implemented and embedded in the operations of the Public Service, and Government becomes less effective.

The importance of financial literacy beyond finance and accounting staff.

As Amy discussed ...the nature of our work, and application of the accounting standards, can lead to complexity and an assumed level of financial literacy that is not generally held outside of the profession

This is a critical point.

Lower than expected finance and data literacy represents a risk to the compliant, efficient and effective resource management within agencies, and by extension the effective and efficient operation of the Government

Financial literacy is not just the domain of the finance and accounting profession; at a basic level it is a core skill required of all Public Servants.

But what do we mean by financial literacy?

There are many definitions, or variations, but the definition I have settled on for today is the one used by the Australian Securities and Investments Commission

- Financial literacy may be defined as the ability to make informed judgments and to take effective decisions regarding the use and management of money

My slightly more detailed take on this definition, that I have consistently used over the years

- is the understanding of the resources at our disposal to allocate to the highest priority activities - understanding priorities through planning, budgets, staffing levels and basic accounting principles
- and, understanding the financial framework, its obligations and restrictions, to ensure expenditure occurs in a manner compliant with that framework

Public Sector finance professionals play an increasingly important role in helping staff in agencies maintain or enhance their financial literacy.

We cannot just assume everyone is as interested in finance and the financial framework as we are or have the same base level of understanding.

We must foster the importance of financial literacy as a core skill of a Public Servant, regardless of role.

As many of you would be aware, the APS Academy and the Department of Finance are promoting October as Accounting and Finance Month.

This is a great initiative and while the focus is on learning and development opportunities for finance and accounting professionals working within the Public Service, it also provides the opportunity to highlight the importance of financial literacy to the broader Public Service, including within agencies.

Accounting is critical to Accountability.

At DFAT, we are looking to leverage this and expand some of the financial framework training we are running.

It is also the perfect opportunity to promote the procurement Community of Practice operating in the department, with over 100 active members.

...and that brings me to the importance of data and the way it is presented

Data and the presentation of information

Amy references the OECD

“public accounts need to be accessible and understandable to both citizens and parliaments. When financial information is easy to understand and readily available, it empowers citizens to hold their government accountable and encourages civic engagement in public affairs. Clear and transparent financial reporting helps parliaments make informed decisions and allows them to ensure that Governments are accountable for their financial management”

There has been significant advancement in transparency, reliability and consistency in the provision of financial information. But this is only the starting point.

Is this information presented in a way that is easily interpreted and can be utilised by all?

For example, if I look at the change the department is trying to implement in the presentation of financial information, it is more interactive, blending financial and non-financial data and providing insights rather than simple financial reports.

To deliver these insights, across different domains such as finance and HR, data needs to be easily linked and then analysed.

This allows decision makers to re-prioritise resourcing to address emerging risks.

System integration is expensive, however, platforms like Power BI allow data to be linked in a cost-effective and more accessible way.

The ‘citizen developer’ model has emerged, in which IT departments provide a platform where business areas can undertake development and analysis.

To promote this accessibility, the department has created a data analytics Community of Practice. This Community of Practice has grown to over 250 staff across the department, and we have expanded these Communities of Practices to cover Intelligent Automation (covering Artificial Intelligence and Automation), and Power Automate (software specific).

The Community provides online demonstrations and has facilitated an 'apprentice' model of learning, empowering staff to make the most of the data available.

Budgets are contested

Both the Government's budget and the internal budgets of Commonwealth entities are highly contested, and becoming more so.

The ability to present a compelling case for additional resources, be that funding or staffing, has never been more important.

The use of data, evidence and more creative approaches – for instance pilots to test the effectiveness of a policy before expansion - is essential.

One of our primary responsibilities as Public Sector accountants is to provide information to assist policy and decision making.

Whether it is determining budget allocations, assessing program effectiveness, or identifying areas for cost savings, our expertise is critical in shaping sound public policy.

Moreover, our role extends beyond merely presenting numbers. As I mentioned the increasing importance of communication skills - we must also interpret and deliver data in a way that is meaningful to decision makers, helping them understand the implications of their choices.

This requires Public Sector finance professionals to have a broader set of skills, the establishment of multi-disciplinary teams, including data specialists, and importantly to be able to communicate effectively.

The workforce

Amy also mentioned the predicted workforce shortages.

There is no easy solution to this challenge, and the accounting and finance profession is not the only profession facing this issue. It is also a more acute problem for the Public Sector in Canberra.

Adopting a multi-pronged approach seems to be the best approach

- Attracting graduates through specific Accounting and Financial Management programs, and reconsidering the mix of skills and career objectives from workforce entrants.
- Broadening the skills required of our finance and accounting professionals, or creating multi-disciplinary teams with skills in accounting, data and other domains.
- Encouraging movement between the public and private sectors. Gaining an insight into the challenges and contributions to be made in both areas of employment will provide modern professionals with much benefit from the experience.
- Embracing flexible working arrangements, whether that be interstate or overseas.

Ultimately, we need to be much better at marketing what we do and the benefit of working in the Public Sector as an accountant.

In 2003 when I joined the Public Sector after eight years in the private sector, I had no expectation that the work would be so rewarding, and I would still be working in the Public Sector over twenty years later.

CONCLUSION

Public Sector accounting plays a crucial role in building efficiency and resilience in our financial systems, navigating risks, and seizing opportunities for improvement.

Globally we are reportedly seeing a shift towards less trust in democratic institutions. Public Sector accounting has an important role in shoring up the public's faith in Government, while remaining strictly apolitical.

Our insights help drive informed policy decisions that affect all Australians.

The combination of ongoing change, the generation of more information, of greater complexity, and with an increased focus on compliance makes the role of Public Sector accountants and finance professionals more important than ever.