

# **FASAB's STRATEGIC DIRECTIONS**

## **Addendum**

Clarifying FASAB's Near-Term Role in Achieving  
the Objectives of Federal Financial Reporting

June 28, 2011

In February, 2011, the Federal Accounting Standards Advisory Board (FASAB or the Board) reviewed the strategic directions established in November 2006. This addendum documents the review and reaffirms the conclusions reached in 2006.

The Board will continue to base its technical agenda decisions on:

1. the likelihood that potential projects will significantly contribute to meeting the operating performance and stewardship reporting objectives established in Statement of Federal Financial Accounting Concepts 1, *Objectives of Federal Financial Reporting*
2. the criteria for ranking projects adopted in October 2004:
  - a. significance of the issue relative to meeting reporting objectives
  - b. pervasiveness of the issue among federal entities
  - c. technical outlook and resource needs

The Board will also consider factors such as recent developments, conditions and trends, likely to influence federal financial reporting. At the February 2011 Board meeting, each member identified those factors that he or she considered especially significant. The list that follows indicates the factors they proposed. Inasmuch as the Board did not vote upon, or otherwise endorse, these factors, they are those of individual members, not the Board collectively.

- Citizens and citizen intermediaries are the primary users of the consolidated financial report of the US government (CFR); other users include Congress, federal executives, and program managers. This may imply:
  - The focus on many users groups has historically increased the challenge of setting standards. The possible implications of focusing on one primary user are:
    - standards should focus on the consolidated financial report of the US government (CFR) and consider primarily citizens information needs.
    - a better understanding of differences between citizen information needs relative to the CFR and component entity internal information needs may be helpful.
  - Component entity reports – which may have different primary users and user needs - should support needs identified for the CFR. The other interest at the component entity level is for program results information, which would support the Operating Performance sub-objective pertaining to efforts and accomplishments information.
  - Financial information delivered on the internet should be accessible, useable, and reliable.
  - Due to the fiscal pressures facing the Nation, citizens and citizen intermediaries (e.g., journalists) are interested in a wide variety of financial information about the federal government.

- Integrity of the data available to external users via the internet could be improved through controls and auditing.
- Education regarding the meaning of financial information is lagging among citizens and elected officials (who often communicate information directly to citizens).
- Users will require more plain language narrative and education.
- Resource limitations create budgetary pressures. This may imply:
  - Financial reports should better inform the budget process.
  - Standards should inform management of that which is important at the governmentwide level, which would provide valuable information while at the same time preserving management and audit resources.
  - While audits demand resources, audits bring rigor to systems and internal control and that rigor is beneficial both to managers and external users.
  - Managers' need for data to effectively manage costs is more urgent.
  - Systems should meet management needs and financial reports should be a result of sound systems.
  - Helping managers understand the connection between their own information needs and the systems producing external reports is important--executives and managers may require education.
  - It may be helpful to ask managers what information they need.
- Risks are increasing. This may imply:
  - Adequate identification of risks appropriate to consider in financial reports is needed.
  - Disclosures related to risk may not be adequate and more forward looking information may be needed.
  - Financial reporting requirements may affect the scope of audit coverage and should be used to focus audit resources on high risk areas.
  - A governmentwide view of risk should influence the Board's selection of projects so that financial reporting helps agencies focus on the greatest risks to the U. S. Government.
  - Standards should support managerial decision making rather than merely compliance that results in a silo approach to financial reporting and controls over financial reporting.
  - Resource constraints may limit agencies' ability to improve and/or expand coverage of risk in financial reports (including recognition of new types of events, adopting more accurate measurement methods, and/or expanding disclosures).
- Electronic reporting is increasing.

- Information is more accessible but integrity of the data is important.
- Repetitive – or competing – sources of data may result.
- New issues will arise as electronic reporting expands.
- Users may be confused by receiving data from various perspectives and with different levels of audit coverage.