The Parliament of the Commonwealth of Australia

Report 395

INQUIRY INTO THE DRAFT FINANCIAL FRAMEWORK LEGISLATION AMENDMENT BILL

Joint Committee of Public Accounts and Audit

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Canberra

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Chairman's Foreword

This report presents the Joint Committee of Public Accounts and Audit's review of an exposure draft of the Financial Framework Legislation Amendment Bill. The review commenced following a proposal from the Minister for Finance and Administration.

The Committee has had an ongoing interest in the Commonwealth's financial framework, having recommended in 1995 that the Government introduce accrual budgeting. Most recently the Committee reviewed the accrual budget documentation in 2002. The Committee believes that the review of the draft Bill will identify at an early stage any changes that are needed and will expedite passage of the Bill when it is introduced in Parliament.

The Committee notes that the Bill is very long. It proposes amendments to 108 Acts and the repeal of 28 Acts. Some of the amendments in the Bill cover technical matters, such as the replacement of references to amounts paid to the Consolidated Revenue Fund with references to amounts paid to the Commonwealth; and replacement of references to components of the Reserved Money Fund with references to Special Accounts.

The Committee has concluded that the Bill will make an important contribution to improving the financial framework. It will do so by aligning references, in many Acts, to financial management with the *Financial Management and Accountability Act 1997* (FMA Act); by updating provisions to reflect good practice; and by clarifying other provisions.

However, the Committee has recommended some changes to the draft Bill with a view to further improving the financial framework legislation. These include:

- enhanced information to be included in determinations of the Finance Minister, made under the FMA Act, to establish a Special Account; and
- a change of the name 'Special Account' to 'Designated Purpose Account'.

The Committee also considered whether reporting in the Commonwealth will be improved by the Bill. In relation to Special Accounts the Committee has noted the improvements in reporting to Parliament for 2003-04. However, it will keep a watching brief on actual improvements to ensure that greater transparency and accountability to Parliament is achieved.

The Committee is of the firm belief that the Commonwealth’s financial framework legislation is important to underpin the efficient and effective management of the Commonwealth’s resources, and for promoting good practice. The Bill, with the changes recommended by the Committee, will bring this framework up to date. Consequently, the Bill should be introduced into Parliament as soon as is feasible.

Bob Charles, MP

Chairman

Contents

Membership of the Committee

40th Parliament

Chairman	Mr Bob Charles MP	
Deputy Chair	Ms Tanya Plibersek MP	
Members	Senator Richard Colbeck (until 25/03/03)	Mr Steven Ciobo MP
	Senator Stephen Conroy (from 5/02/03)	Mr John Cobb MP
	Senator John Hogg (until 5/02/03)	Mr Petro Georgiou MP
	Senator Gary Humphries (from 25/03/03)	Ms Sharon Grierson MP
	Senator Kate Lundy (from 19/11/02)	Mr Alan Griffin MP
	Senator Claire Moore (until 19/11/02)	Ms Catherine King MP
	Senator Andrew Murray	Mr Peter King MP
	Senator Nigel Scullion	The Hon Alex Somlyay MP
	Senator John Watson	

Membership of the Sectional Committee

40th Parliament

Chairman	Mr Bob Charles MP	
Deputy Chair	Ms Tanya Plibersek MP	
Members	Senator Stephen Conroy	Mr Alan Griffin MP
	Senator Kate Lundy	Ms Catherine King MP
	Senator Nigel Scullion	
	Senator John Watson	

Committee Secretariat

Secretary	Mr James Catchpole
Inquiry staff	Dr John Carter
	Mr Gavin Ford
	Ms Suzanne Hinchcliffe
	Ms Maria Pappas
	Mr Justin Craig

Duties of the Committee

The Joint Committee of Public Accounts and Audit is a statutory committee of the Australian Parliament, established by the *Public Accounts and Audit Committee Act 1951*.

Section 8(1) of the Act describes the Committee's duties as being to:

(a) examine the accounts of the receipts and expenditure of the Commonwealth, including the financial statements given to the Auditor-General under subsections 49(1) and 55(2) of the *Financial Management and Accountability Act 1997*;

(b) examine the financial affairs of authorities of the Commonwealth to which this Act applies and of intergovernmental bodies to which this Act applies;

(c) examine all reports of the Auditor-General (including reports of the results of performance audits) that are tabled in each House of the Parliament;

(d) report to both Houses of the Parliament, with any comment it thinks fit, on any items or matters in those accounts, statements and reports, or any circumstances connected with them, that the Committee thinks should be drawn to the attention of the Parliament;

(e) report to both Houses of the Parliament any alteration that the Committee thinks desirable in:

    (i) the form of the public accounts or in the method of keeping them; or
    (ii) the mode of receipt, control, issue or payment of public moneys;

(f) inquire into any question connected with the public accounts which is referred to the Committee by either House of the Parliament, and to report to that House on that question;

(g) consider:

   (i) the operations of the Audit Office;
   (ii) the resources of the Audit Office, including funding, staff and information technology;
   (iii) reports of the Independent Auditor on operations of the Audit Office;

(h) report to both Houses of the Parliament on any matter arising out of the Committee's consideration of the matters listed in paragraph (g), or on any other matter relating to the Auditor-General's functions and powers, that the Committee considers should be drawn to the attention of the Parliament;

(i) report to both Houses of the Parliament on the performance of the Audit Office at any time;

(j) consider draft estimates for the Audit Office submitted under section 53 of the *Auditor-General Act 1997*;

(k) consider the level of fees determined by the Auditor-General under subsection 14(1) of the *Auditor-General Act 1997*;

(l) make recommendations to both Houses of Parliament, and to the Minister who administers the *Auditor-General Act 1997*, on draft estimates referred to in paragraph (j);

(m) determine the audit priorities of the Parliament and to advise the Auditor-General of those priorities;

(n) determine the audit priorities of the Parliament for audits of the Audit Office and to advise the Independent Auditor of those priorities; and

(o) undertake any other duties given to the Committee by this Act, by any other law or by Joint Standing Orders approved by both Houses of the Parliament.

Terms of reference

The Joint Committee of Public Accounts and Audit will inquire into the draft Financial Framework Legislation Amendment Bill to determine whether the Bill makes an appropriate contribution to improving the financial framework and reporting of the Commonwealth public sector, including in relation to:

- alignment of financial management provisions and practices with the *Financial Management Legislation Amendment Act 1999*;
- consolidation of approval powers in relation to money raising, investments and guarantees by, and for, specific entities that are legally separate from the Commonwealth; and
- information to be included in determinations of the Finance Minister under the Financial Management and Accountability Act 1997 that establish Special Accounts.

List of abbreviations

AAO	Administrative Arrangements Order
Account	Special Account
AGD	Attorney-General's Department
Agency or Agencies	an organisation that is subject to the FMA Act, that is a Department of State, a Department of the Parliament or a prescribed Agency
AGS	Australian Government Solicitor
ALTD Act	*Australian Land Transport Development Act 1988*
ANAO	Australian National Audit Office
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSIC Act	*Aboriginal and Torres Strait Islander Commission Act 1989*
Audit Act	*Audit Act 1901*
Authority or Authorities	statutory authority that is subject to the CAC Act
Bill	exposure draft of the Financial Framework Legislation Amendment Bill, dated 18/2/2003
CAC Act	*Commonwealth Authorities and Companies Act 1997*
Child Support Act	*Child Support (Registration and Collection) Act 1988*

Condah Framlingham Act	*Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987*
Corporations Act	*Corporations Act 2001*
CSA	Child Support Agency (part of the Department of Family and Community Services)
CAC body or bodies	Authorities and Commonwealth companies that are subject to the CAC Act
CAF	Commercial Activities Fund
CFS	Consolidated Financial Statements for the Commonwealth
CITA	Department of Communications, Information Technology and the Arts
Charter of Budget Honesty Act	*Charter of Budget Honesty Act 1998*
Comcare Australia	Comcare
Committee	Joint Committee of Public Accounts and Audit
Corporations Act	*Corporations Act 2001*
CRF	Consolidated Revenue Fund
Criminal Code	*Criminal Code Act 1995*
CSA	the Child Support Agency
FACS	Department of Family and Community Services
FBO	Final Budget Outcome
FBO Report	Final Budget Outcome report required under section 18 of the *Charter of Budget Honesty Act 1998*
Finance	Department of Finance and Administration
Finance Minister	Minister for Finance and Administration
FMA Act	*Financial Management and Accountability Act 1997*
FMLA Act	*Financial Management Legislation Amendment Act 1999*

FMOs	the Finance Ministers Orders for the preparation of financial statements of Commonwealth Agencies and Authorities
JCPAA	Joint Committee of Public Accounts and Audit
OPC	Office of Parliamentary Counsel
PAES	Portfolio Additional Estimates Statement(s)
PBS	Portfolio Budget Statement(s)
PBS Guidelines	Guidelines for the preparation of Portfolio Budget Statements
RMF	Reserved Money Fund
RTIA	Regional Telecommunications Infrastructure Account
SIS Act	*Superannuation Industry (Supervision) Act 1993*
SIS Bill	*Superannuation Industry (Supervision) Amendment Bill 2002*
SRC Act	*Safety, Rehabilitation and Compensation Act 1988*
Telstra Corporation Act	*Telstra Corporation Act 1991*
Treasury	Department of the Treasury

List of recommendations

Recommendation 1

4.26 **The proposed amendments to subsection 20(1) of the FMA Act contained in the draft Financial Framework Legislation Amendment Bill should include the following:**

- **A determination of the Finance Minister establishing a Special Account should include a reference to amounts that are allowed or required to be debited from a Special Account and this reference should be linked to the reference to the purposes of the Special Account.**
- **A determination of the Finance Minister may specify that amounts debited from a Special Account may be or must be otherwise than for the making of real or notional payments.**

Recommendation 2

4.41 **The draft Financial Framework Legislation Amendment Bill should include amendments to the FMA Act and all other relevant Acts to replace references to 'Special Account' with references to 'Designated Purpose Account'.**

Recommendation 3

4.66 **The annual Appropriation Acts should not authorise the crediting of appropriated amounts to a Special Account if the Act or the Finance Minister's determination that establishes the Special Account does not specifically provide for appropriated amounts to be credited to the Special Account.**

Recommendation 4

4.93 **The Financial Framework Legislation Amendment Bill should include an amendment to establish the Aboriginal Advancement Account under the section 38 of the *Aboriginal Land (Lake Condah and Framlingham Forest) Act 1987.***

The Condah Land Account and the Framlingham Forest Account should be subsumed into the Aboriginal Advancement Account.