
The Parliament of the Commonwealth of Australia

Report 374

**Review of the Financial Management and Accountability Act 1997
and the Commonwealth Authorities and Companies Act 1997**

Joint Committee of Public Accounts and Audit

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Canberra

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Chairman's Foreword

The FMA and CAC Acts comprise the major legislative framework for financial management in the Commonwealth public sector. The legislation was first introduced to Parliament in 1994 whereupon it was referred to the Committee for review. Since that time the Commonwealth has moved to place its appropriations, budgeting, and reporting on a full accrual basis. Consequently, the Committee has considered it timely to reassure itself that the legislation retains its usefulness following the significant changes that have occurred.

The Committee has focussed on whether the legislation has met the needs of the new financial management framework and the needs of the public sector; whether it remains consistent with other legislation, both Commonwealth and state; and whether accountability to Parliament has been maintained.

The Committee has concluded that in general the legislation, which has been recently amended, has accommodated the new financial management framework and the changed needs of the public sector. Where anomalies have been identified they have arisen from the nature of the Acts themselves which were designed to be generalised legislation. In such circumstances the Committee agrees with the Department of Finance and Administration (DoFA) that entities which have problems should raise the issue with their portfolio Minister with a view to amending the entity's enabling legislation.

Evidence to the inquiry has drawn attention to possible conflict with state legislation and the Committee has made two recommendations aimed at addressing possible inconsistencies regarding defamation and indemnity legislation. The Committee has also recommended that DoFA and Department of Prime Minister and Cabinet should review the terminology of the financial management legislation and the public and parliamentary service legislation with a view to removing inconsistency and increasing consistency with the terminology used by the private sector.

A concern to the Committee is whether accountability of Executive agencies has been maintained following the financial management reforms. The Committee has noted some concern among members of Parliament and intends to maintain an interest in this area. It has also recommended that DoFA review the accrual budget format to ensure that the change to full accrual accounting does not diminish the ability of Parliament to scrutinise appropriations.

The recent financial management reforms further encourage agencies to adopt a more business like approach and provide value for money for the services provided to Government. In such an environment it is important that Parliament is able to measure and compare the performance of similar agencies. The Committee has therefore revisited a recommendation made in an earlier report on accrual accounting, concerning the tabling in Parliament by DoFA of information enabling Parliament to compare agency performance. The Committee has included as Appendix E a series of performance ratios which could form the basis for such comparisons.

In conclusion, and on behalf of the Committee, I would like to thank all those who have contributed to this inquiry.

Bob Charles, MP
Chairman



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Membership of the Committee

Chair Mr R Charles MP

Deputy Chair Mr D Cox MP

Members Mr K Andrews MP

Mr M Brough MP (until 7/3/00)

Mr P Georgiou MP

Ms J Gillard MP

Mr A Griffin MP (until 9/8/99)

Mr P Lindsay MP (from 7/3/00)

Hon A Somlyay MP

Mr L Tanner MP (from 9/8/99)

Mr S St Clair MP

Ms T Plibersek MP

Senator H Coonan

Senator the Hon J Faulkner

Senator the Hon B Gibson AM

Senator J Hogg

Senator A Murray

Senator J Watson



Membership of the Sectional Committee

Chair Mr R Charles MP

Deputy Chair Mr D Cox MP

Members Ms J Gillard MP

Senator the Hon B Gibson AM

Hon A Somlyay MP

Senator J Watson

Committee Secretariat

Secretary Dr Margot Kerley

Inquiry Secretary Dr John Carter

Research Officer Ms Rebecca Perkin

Administrative Officer Ms Maria Pappas



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 *Financial Management and Accountability Act 1997*, and the *Commonwealth Authorities and Companies Act 1997*, to determine whether:

- the legislation has been successful in meeting the aims identified when the Bills were first introduced in 1994;
- the legislation meets the existing needs of the accrual budgeting framework;
- the legislation meets the needs of the current Australian Public Service;
- accountability to Parliament has been maintained under the conditions of increased devolution of responsibility to agencies;
- Chief Executive Officers are subject to sufficient accountability and performance assessment;
- there should be consistency with similar legislation in the States; and
- the information campaign by the Department of Finance and Administration (DoFA) to alert Members of Parliament to the implications of the legislation has been effective, and whether DoFA should be responsible for coordinating the Guidelines for Annual Reports currently undertaken by the Department of Prime Minister and Cabinet.



List of abbreviations

ABC	Australian Broadcasting Corporation
ACS	Australian Customs Service
AGS	Australian Government Solicitor
ANAO	Australian National Audit Office
ANU	Australian National University
ARTC	Australian Rail Track Corporation
ASC	Australian Sports Commission
ATO	Australian Taxation Office
ATSIC	Aboriginal and Torres Strait Islander Commission
ATSICDC	Aboriginal and Torres Strait Islander Commercial Development Corporation
CAC Act	<i>Commonwealth Authorities and Companies Act 1997</i>
CASA	Civil Aviation Safety Authority
CEOs	Chief Executive Officers
CLERP	<i>Corporate Law Economic Reform Program Act 1999</i>
CRF	Consolidated Revenue Fund

CSIRO	Commonwealth Scientific and Industrial Research Organisation
DETYA	Department of Education, Training and Youth Affairs
DH&AC	Department of Health and Aged Care
DoF	Department of Finance
DoFA	Department of Finance and Administration
DVA	Department of Veterans' Affairs
FDS	Frontline Defence Services
FMA Act	<i>Financial Management and Accountability Act 1997</i>
FMLA	<i>Financial Management Legislation Amendment Act 1999</i>
GBE	Government Business Enterprise
GR&DC	Grains Research and Development Corporation
HIC	Health Insurance Commission
JCPA	Joint Committee of Public Accounts
JCPAA	Joint Committee of Public Accounts and Audit
NCA	National Crime Authority
NMA	National Museum of Australia
PAES	Portfolio Additional Estimate Statements
PBS	Portfolio Budget Statement
PHIAC	Private Health Insurance Administration Council
PM&C	Department of Prime Minister and Cabinet
SBS	Special Broadcasting Service Corporation
SMA	Statutory Marketing Authorities
SMHEA	Snowy Mountains Hydro-Electric Authority

Recommendations

Recommendation 1

The Department of Finance and Administration and the Department of the Treasury, should consult with their equivalent state agencies with a view to addressing possible inconsistencies regarding defamation and indemnity legislation identified in this inquiry. (Paragraph 2.99)

Recommendation 2

The Department of Finance and Administration and the Department of Prime Minister and Cabinet should review the terminology of Commonwealth's financial management legislation and the public and parliamentary service legislation with a view to removing inconsistency and increasing consistency with the terminology used by the private sector. (Paragraph 2.100)

Recommendation 3

The Department of Finance and Administration review the accrual budget format to ensure that the change to full accrual accounting does not diminish the ability of Parliament to scrutinise appropriations. (Paragraph 3.20)

Recommendation 4

The Department of Finance and Administration should collect and table in Parliament on an annual basis a consolidated series of charts and tables comparing the performance of all Commonwealth agencies against a range of key performance ratios. (Paragraph 3.44)