



Telephone: (02) 6263 2896
 Facsimile: (02) 6263 2948

THE TREASURY

Executive Director
 The Treasury
 Langton Crescent
 PARKES ACT 2600

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 File:

The Acting Secretary
 Joint Committee of Public Accounts and Audit
 House of Representatives
 Parliament House
 CANBERRA ACT 2600



Dear Mr Carter

Joint Parliamentary Committee on Public Accounts and Audit Review of the draft Financial Framework Legislation Amendment Bill: Treasury Submission

The draft Financial Framework Legislation Amendment Bill impinges upon a large number of Acts in the Treasury portfolio with respect to both the alignment of financial management provisions and practices with the *Financial Management Legislation Amendment Act 1999* and the consolidation of approval powers in relation to money raising, investments and guarantees by, and for, specific entities that are legally separate from the Commonwealth.

The *Financial Management Legislation Amendment (FMLA) Act 1999* aligned the *Financial Management and Accountability (FMA) Act 1997* with the accrual financial framework introduced in 1999. The primary change introduced by the Act was the removal of provisions for 'fund accounting' and the establishment of 'Special Accounts' within the Consolidated Revenue Fund. This change enabled the use of non-lapsing accrual appropriations and means that money appropriated for accrued expenses can remain in the Consolidated Revenue Fund until it is required.

The draft *Financial Framework Legislation Amendment Bill* proposes to align the financial management provisions of a number of Acts with the changes introduced by the *FMLA Act 1999*. Given that this will only alter terminology to ensure consistency across legislation Treasury does not see any reasons for objection to these proposals in principle. However, there are a number of comments that can be made in relation to the proposals for amendment to specific Acts.

Three of the Acts to be amended concern Commonwealth relations with the States and the Northern Territory. I wish to advise the Committee that the relevant process for consulting with, and obtaining the approval of, the States and the Northern Territory under the Corporations Agreement regarding amendments to the *Corporations* and the *Australian Securities and Investment Commission Acts* have been satisfied. The States have also been advised of the proposed amendments to the *Financial Agreement Act 1994*.

A potential source of inconsistency has recently been identified in relation to amendments concerning section 237 of the *Superannuation Industry (Supervision) Act 1993*. This potential inconsistency is due to the simultaneous progression of amendments to the same section of the Act through the *Superannuation Industry (Supervision) Amendment Bill 2002* (which was introduced into Parliament on 12 December 2002). The potential inconsistencies are of a technical rather than

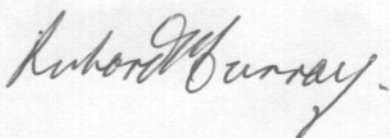
policy nature and have been drawn to the attention of the Department of Finance and Administration.

Part 3 of the FFLA bill proposes the repeal of twenty one Acts of interest to the Treasury portfolio. In correspondence with the Minister for Finance and Administration, on 28 November 2002, the Parliamentary Secretary to the Treasurer stated that he was not yet in a position to support these proposals, and noted that he expected that there would be opportunity to provide additional views in relation to these proposals at a later stage of the consultation process. Treasury is close to finalising its review of these Acts as a basis for advice to the Minister for Finance and Administration on their possible repeal.

Treasury is supportive of the proposals to transfer the powers of approval over borrowing, provision of borrowing guarantees and money raising from the Treasurer to the Minister for Finance and Administration. Such a transfer of responsibilities would be consistent with the Minister for Finance and Administrations' financial oversight role of these entities. In all, 28 Acts of interest to Treasury are affected.

It should be noted that the Treasurer's power to provide guarantees for borrowings undertaken by Commonwealth entities is subject to the Government's clear policy of not issuing further formal Commonwealth guarantees for commercial entities. This policy reflects the implementation of competitive neutrality principles to government business arrangements and these principles need to continue to be observed.

Yours sincerely



Richard Murray
Executive Director
Fiscal and Corporate