

## Audit Report No. 24, 2003-2004

# Agency Management of Special Accounts

## Introduction

### Background

- 7.1 The Australian Constitution creates a Consolidated Revenue Fund (CRF), formed from all revenues and moneys raised or received by the Government.<sup>1</sup> Section 83 of the Constitution stipulates that payments from The Treasury of the Commonwealth must be authorised by an appropriation by law.<sup>2</sup>
- 7.2 A Special Account is a ledger account recording a right to draw money from the CRF for specified purposes – it does not physically hold cash. Special appropriations under ss. 20 and 21 of the *Financial Management and Accountability Act 1997* (FMA Act) appropriate funds for the purposes of Special Accounts up to the balance of each account.<sup>3</sup>
- 7.3 Special Accounts and their associated appropriations under the FMA Act are a method of delivering programs that are funded by indirect taxes or other compulsory imposts, contributions by other governments, money
- 

1 Australian National Audit Office (ANAO), Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 11.

2 *The Australian Constitution*, ss. 81 and 83.

3 Appropriations for Special Accounts cover approximately 8 per cent of all special appropriations.

appropriated by the Parliament for crediting to a Special Account or contributions by members of the community.<sup>4</sup>

- 7.4 A Special Account can be established by a determination by the Minister for Finance and Administration as prescribed in s. 20 of the FMA Act. A written determination may do all or any of the following:
- Establish a Special Account;
  - Allow or require amounts to be credited to a Special Account; and
  - Specify the purposes of a Special Account.
- 7.5 Section 20 Determinations (with Explanatory Statements) must be tabled in Parliament for five sitting days and are subject to disallowance by both Houses of Parliament.
- 7.6 A Special Account may also be established by legislation under s. 21 of the FMA Act.
- 7.7 The Determination or legislation establishing a Special Account may outline the source of funds that must or may be credited to the Special Account. Legislation may also require certain amounts to be credited to a Special Account, so that crediting occurs by operation of law *without* needing an appropriation or administrative action.
- 7.8 Amounts standing to the credit of a Special Account may only be debited strictly in accordance with the Account's purpose, except to correct a clerical error or where there has been a fundamental mistake made in the management of the Account.
- 7.9 Having an appropriation available is not, in itself, sufficient for such money to be spent. For agencies subject to the FMA Act, a valid Drawing Right is required to have been issued by the Minister for Finance and Administration, before payments of public monies can be made from, and debits recorded against, appropriations.
- 7.10 Under the FMA Act responsibility for keeping accounting records for Special Accounts has been delegated to the respective agencies.<sup>5</sup>
- 7.11 The FMA Act also requires agencies to keep accounts and records in such a manner that ensures the limit on any appropriation is not exceeded (s. 48). As appropriations authorise only the drawing and spending of public monies, a Special Account balance should not, by definition, be negative. Should this occur, then the standing appropriation provided by
- 

4 2004-05 Budget Paper No. 4, *Agency Resourcing 2004-05*, p. 3.

5 ANAO, *Transcript*, 21 June 2004, p. 6.

the FMA Act in each of these instances would have been exceeded, and the overdrawn funds spent without appropriation under law.

- 7.12 According to legal advice obtained by the Australian National Audit Office (ANAO), s. 83 of the Constitution is not breached where payments purportedly made from a non-existent Special Account could have been legitimately recorded against another, valid, appropriation.<sup>6</sup>

## The audit

- 7.13 The ANAO audit was undertaken between April 2003 and December 2003.

- 7.14 The scope of the audit included a review of all Special Accounts (and their predecessors) that have existed since the FMA Act commenced operation on 1 January 1998. The audit objectives were to:

- Identify all Special Accounts that have existed;
- Assess the efficiency and effectiveness of the establishment, management and abolition of these Special Accounts; and
- Assess compliance with legislative requirements, including those of the FMA Act and the Finance Minister's Orders promulgated under that Act.

## Audit findings

- 7.15 The ANAO audit identified deficiencies in the management of 12 of the 19 Special Accounts examined in detail. Deficiencies included Special Accounts not being credited with amounts that legislation required to be credited and debits being recorded against Special Accounts that were outside the specified expenditure purposes of the Account. Inaccuracies in the reported balance of seven Special Account appropriations were one consequence of the deficiencies identified during the course of the audit.

- 7.16 The audit demonstrated that there was significant scope for agencies to improve their financial management and reporting practices in respect of their Special Accounts. The improvements to Special Account disclosure requirements, and the development and publication in October 2003 of Special Account Guidelines by Finance have provided a stronger platform for enhancing the financial management, reporting and transparency of Special Accounts.<sup>7</sup> Further improvements in administration must also

---

<sup>6</sup> ANAO, *Transcript, 21 June, 2004*, p. 10.

<sup>7</sup> ANAO, Report No. 24, 2003-2004, *Agency Management of Special Accounts*, Appendix 2, Finance Guidelines for the Management of Special Accounts, p. 66.

occur, however. Improvement will come from greater understanding of, and increased care and attention to, legislative requirements and appropriation management practices by agencies responsible for the management of individual Special Accounts.

7.17 ANAO framed 13 recommendations. In summary these were:

- Recommendation 1 – Agencies responsible for Special Accounts to ensure that they accord with all relevant legal requirements, and policy and best practice procedures;
- Recommendation 2 - Agencies regularly review the continuing need for individual Special Accounts and abolish Accounts that are no longer required;
- Recommendation 3 - The Department of Finance and Administration (Finance) maintain a comprehensive and accurate register of all Special Accounts;
- Recommendation 4 - Agencies present to the Parliament timely annual reports where required by legislation;
- Recommendation 5 - Agencies establish a ledger record for all current Special Accounts for which they are responsible;
- Recommendation 6 – Agencies operate Special Accounts as transparently as possible;
- Recommendation 7 - Agencies develop and implement procedures that ensure full compliance with any legislation requiring amounts to be credited to Special Accounts;
- Recommendation 8 – Agencies ensure Special Account appropriations are debited for the purposes of the appropriate Special Account;
- Recommendation 9 - Agencies maintain an accurate daily record of the transactions and balances on each Special Account;
- Recommendation 10 – Finance resolve whether an appropriation is needed for the expenditure of money held in trust, and inform agencies accordingly;
- Recommendation 11 – Agencies ensure a valid appropriation exists before seeking to draw funds from the Treasury of the Commonwealth;
- Recommendation 12 – Agencies ensure that valid Drawing Rights exist for all public money payments and appropriation ledger debits;

- Recommendation 13 - Agencies ensure that the limits on Special Account appropriations are not exceeded.

## The Committee's review

7.18 The Joint Committee of Public Accounts and Audit (JCPAA) considered Special Accounts as part of its *Inquiry into the Draft Financial Framework Legislation Amendment Bill* which was tabled in August 2003.<sup>8</sup> JCPAA made five recommendations. Recommendations 1, 2 and 3 are relevant to the present ANAO review and are summarised below:

- Recommendation 1 - 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;
- Recommendation 2 - Replace references to 'Special Account' with references to 'Designated Purpose Account' in the FMA Act; and
- Recommendation 3 - 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.

7.19 The Minister for Finance and Administration submitted to the Committee in the Government Response to its *Inquiry into the Draft Financial Framework Legislation Amendment Bill*, that the Government had agreed, *inter alia*, to recommendations 1 and 3. The Minister rejected recommendation 2 because, wishing to avoid changes that did not contribute to improving the financial framework.<sup>9</sup>

7.20 At the public hearing on 21 June 2004, the committee heard from witnesses representing the following agencies:

- Australian National Audit Office;
- Department of Finance and Administration;

---

8 Joint Committee of Public Accounts and Audit, Report No. 395, *Inquiry into the Draft Financial Framework Legislation Amendment Bill*, tabled August 2003.

9 Minister for Finance and Administration, Government response to recommendations of the JCPAA *Inquiry into the Draft Financial Framework Legislation Amendment Bill* (Report No. 395), 26 June 2004, [www.aph.gov.au/house/committee/jpaa/financial\\_bill/gr395.pdf](http://www.aph.gov.au/house/committee/jpaa/financial_bill/gr395.pdf), accessed 5 August 2004.

- Department of Transport and Regional Services;
  - Department of Communications, Information Technology and the Arts;
  - Department of the Environment and Heritage;
  - Department of Agriculture, Fisheries and Forestry; and
  - Department of the Treasury.
- 7.21 The Committee initially questioned witnesses at the public hearing in general terms on the nature and rationale behind the creation of Special Accounts and it took evidence on ANAO's census of Special Accounts.
- 7.22 The Committee then focussed on a selection of management flaws relating to Special Accounts that had been identified during the ANAO audit:
- Reporting;
  - Negative account balances;
  - Double Funding;
  - Abolishing an account with money still in it;
  - Compliance with legislative requirements;
  - Enabling legislation;
  - Payments from non-existing Special Accounts;
  - Drawing Rights; and
  - Debit outside the purpose of the account.

## Special Accounts

- 7.23 ANAO identified widespread mismanagement (non-reporting, non-compliance and deficiencies)<sup>10</sup> of Special Accounts by agencies during its audit. In this context, the Committee asked Finance to explain the nature and purpose of a Special Account and to comment on whether there was a credible alternative facility to a Special Account to achieve the same end.
- 7.24 Finance advised that the creation of a Special Account provided a facility for a government to account for funds allocated for a specific purpose, and that it was essentially an account number:

---

10 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 18.

A Special Account does not have to be matched by cash. It is an appropriation authorisation rather than a matching of cash<sup>11</sup>

- 7.25 Finance further advised that a Special Account is established as an hypothecation of the CRF.<sup>12</sup> It provides a mechanism by which money can be set aside for particular purposes within very tight constraints. Finance emphasised that, in its view, it is particularly important for governments in situations where funding falls across financial years or across jurisdictions to be able to demonstrate that funds are being set aside for a particular purpose and not being used for any other purpose.<sup>13</sup>
- 7.26 Finance referred, as an example, to the instance where the states as well as the Commonwealth contribute funds for a particular program. Such monies are then hypothecated in a Special Account.

The mechanism gives the states some confidence that they are paying the funds to the Commonwealth [and] that those funds are going to be used for that purpose and are not going to be diverted...<sup>14</sup>

#### Committee comment

- 7.27 The Committee is satisfied that the establishment of Special Accounts is an appropriate and necessary mechanism to enable governments to demonstrate transparency in the management and deployment of special purpose public finance.

## Census of Special Accounts

- 7.28 ANAO conducted a census of all Commonwealth agencies to identify all Special Accounts that had existed. It located 297 Special Accounts.<sup>15</sup>
- 7.29 The Committee questioned the five representative agencies present at the public hearing as to whether there had been any improvement in their management of their respective Special Accounts, since the ANAO audit. All responded in the affirmative.

---

11 Department of Finance and Administration (Finance), *Transcript, 21 June 2004*, p. 5.

12 Finance, *Transcript, 21 June 2004*, p. 16.

13 Finance, *Transcript, 21 June 2004*, p. 4.

14 Finance, *Transcript, 21 June 2004*, p. 5.

15 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 38.

- 7.30 The Department of Agriculture, Fisheries and Forestry (AFFA) reported that it had instituted a centralised departmental bidding process. Should any part of the organisation believe it needed a Special Account all alternative mechanisms were to be considered first. If a Special Account was considered appropriate then an application was made to Finance under s. 20 of the FMA Act or under specific legislation.<sup>16</sup>
- 7.31 The Department of the Environment and Heritage advised that the majority of its accounts were set up by legislation, with the largest item being the Natural Heritage Trust. It had investigated its procedures, tightened its Chief Executive's Instructions (CEI) and reviewed its financial statement and annual reporting procedures.<sup>17</sup>
- 7.32 The Department of Transport and Regional Services (DOTARS) responded that most of its Special Accounts were created under special appropriations. One only was set up under the FMA Act. Some small technical problems in its Special Accounts had been corrected and identified in the last financial statements.<sup>18</sup>
- 7.33 The Treasury reported that it had centralised management of its Special Accounts, updated its CEI to be in line with the ANAO Audit requirements and all staff made aware of their responsibilities.<sup>19</sup>
- 7.34 The Department of Communications, Information Technology and the Arts (DCITA) advised that it had updated its CEI in consultation with Finance, established a Special Accounts register as well as separate ledgers for each account. It now conducted internal monthly reconciliations of its Special Accounts.<sup>20</sup>
- 7.35 Referring to the agencies' comments, ANAO confirmed that:
- Most agencies were very responsive.<sup>21</sup>
- 7.36 Finance advised that the prime responsibility for maintaining Special Accounts' records still rested with agencies - as provided in the FMA Act. Finance, nevertheless, maintained the financial framework around Special Accounts and it made sure that agencies understood and implemented the framework. Additional measures by Finance to strengthen the framework included:
- 

16 Department of Agriculture, Fisheries and Forestry (AFFA), *Transcript, 21 June 2004*, p. 3.

17 Department of the Environment and Heritage (DEH), *Transcript, 21 June 2004*, p. 3.

18 Department of Transport and Regional Services (DOTARS), *Transcript, 21 June 2004*, p. 3.

19 The Department of the Treasury (Treasury), *Transcript, 21 June 2004*, p. 4.

20 Department of Communications, Information Technology and the Arts (DCITA), *Transcript, 21 June 2004*, p. 4.

21 ANAO, *Transcript, 21 June 2004*, p. 4.



- Promulgating comprehensive guidelines;
- Including Special Accounts into consolidated financial statements; and
- Requiring agencies to report their Special Accounts in their portfolio budget statements.<sup>22</sup>

#### Committee comment

- 7.37 The Committee is reassured by the positive responses by agencies to ANAO's Special Accounts audit findings and ANAO's confirmation that agency management of their Special Accounts has, by and large, improved. It endorses the information campaign and expanded reporting requirements introduced by Finance.
- 7.38 The Committee notes, however, that the flaws in agency management of Special Accounts are numerous and variable. A selection of flaws are analysed below.

### Special Account management flaws

- 7.39 The Committee selected a cross section of Special Account management flaws identified by ANAO for further examination at the public hearing. These are discussed below.

#### *Reporting*

- 7.40 The ANAO audit found that there had been widespread non-reporting by agencies of Special Accounts.<sup>23</sup> Indeed in 2001-02, 41 per cent of Special Accounts had not been recorded nor reported in agency financial statements. Where there had been reporting of Special Accounts, ANAO found significant inaccuracies in the financial disclosures on some of those accounts. Further, appropriation management procedures and timeliness were found to be inadequate in a number of agencies.<sup>24</sup>
- 7.41 Finance then identified the agencies with Special Accounts which had failed to report. This process resulted in a significant improvement in disclosures in 2002-03 financial statements.
- 7.42 ANAO undertook a more detailed examination of the management of 19 Special Accounts administered by six agencies, including consideration of

---

22 Finance, *Transcript, 21 June 2004*, p. 8.

23 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 18

24 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, pp. 13, 49.

the accuracy of reporting of these Accounts. Errors were found to exist in the reported balance of seven of these accounts, totalling some \$575 million. The major cause of these errors was that agencies had not recorded and reported cumulative credits over a number of years to various accounts totalling \$544 million. All errors were corrected in the 2002-03 financial statements.<sup>25</sup>

- 7.43 Finance advised that some underreporting of account ledger balances had occurred for the following reason:

There was not necessarily any financial transaction that took place to record it. All there was to record it was a law or a piece of legislation that said an amount would be credited... That law was not recorded administratively correctly in the ledger. There was no flow of financial money there to record.<sup>26</sup>

*Negative account balances*

- 7.44 ANAO noted that in five instances amounts reported as being debited from Special Accounts had exceeded the amounts available for payment. Thus the standing appropriation had been exceeded, and the overdrawn funds had been spent without appropriation under law.<sup>27</sup>
- 7.45 The Committee then queried DCITA about a negative balance in one of its Special Accounts. DCITA advised that the situation had arisen when payments were made to a contracted service provider prior to receipts from telecommunications carriers. It had responded by adjusting the service provider's contract to legitimise payments only after receipt of monies from carriers.<sup>28</sup>

*Double funding*

- 7.46 The Committee examined the duplication of substantial funding to the Natural Heritage Trust of Australia (NHT) Special Account.
- 7.47 The *Natural Heritage Trust of Australia Act 1997* (NHT Act) required the first \$250 million of the Telstra 2 sale proceeds to be credited to the NHT Special Account in 1999. However, the Department of Environment and Heritage (DEH), which administered the NHT Special Account, had not realised that this amount had been automatically deposited and credited the account with an equivalent amount funded through annual

---

25 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 15

26 Finance, *Transcript*, 21 June 2004, p. 6.

27 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 88.

28 DCITA, *Transcript*, 21 June 2004, pp. 12-13.

appropriation. This second credit by appropriation amounted to a duplication of the first credit.

- 7.48 DEH conceded that it was ANAO, rather than DEH which had discovered the double crediting. After the discovery, DEH debited the account for the second \$250 million provided by annual appropriation and reassured the Committee that:

In terms of actual cash, there was no impact on that trust account...<sup>29</sup>

- 7.49 DEH pointed out that, while the incident of double crediting was in error, it was not illegal:

Parliament approved the annual appropriation through the budget process. The earlier amount was self-executing, so it was there since the original legislation.<sup>30</sup>

DEH affirmed [that it could have, quite legally with the permission of the parliament, spent the monies twice].<sup>31</sup>

- 7.50 A further complication arose out of the NHT double funding issue. As well as crediting the NHT with funds from Telstra 2 sale, the NHT Act also appropriates an amount equivalent to eight per cent of the uninvested 30 June balance of the NHT Account to the account each year. DEH, however, had again drawn an annual appropriation to fund the interest deposit. In essence, two amounts of interest were being credited each year to the Account.

- 7.51 The \$250 million appropriation, that should not have been in the NHT Account, attracted interest that likewise should not have been in the NHT Account. It was a case that ANAO described as being the “fruit of the poison tree”.

- 7.52 The provisions of the NHT Act exacerbated the double interest problem because, unlike the \$250 million appropriation which could be reversed back to the CRF, the second lot of interest could not be taken out of the account.

The legal advice to the department was that...the amount [of interest] could not be taken out. Therefore, had none of the mistakes ever been made, the actual balance that can now be spent

---

29 DEH, *Transcript*, 21 June 2004, p. 9.

30 DEH, *Transcript*, 21 June 2004, p. 9.

31 DEH, *Transcript*, 21 June 2004, p. 9.

on the NHT would have been \$37 million less than now can be spent.<sup>32</sup>

#### Committee comment

7.53 The Committee is surprised that an error of the magnitude of \$250 million went undiscovered for such a period of time.

#### *Abolition of Special Account with money still in it*

7.54 DEH also described an instance where money was lodged in a Special Account for the Cockatoo Island decontamination project. The Government decided to fund the project through other processes and sought to take back the funds lodged in the Special Account. The Special Account money, however, could not be legally refunded and its repatriation to the Consolidated Revenue Fund could only take place by closing the Special Account first.<sup>33</sup>

We were actually asked to return the money to consolidated revenue, which we did. We debited that from the account. We were then told that is not within the purpose of the act, so we restored the money. We have \$30 million sitting there at the moment. When the Special Account is closed, that will then be returned to consolidated revenue.<sup>34</sup>

#### *Compliance with legislative requirements*

7.55 The ANAO found that there had been non-compliance with a number of provisions of the FMA Act (and subordinate legislation) relating to:

- the management of appropriations;
- the keeping of proper accounts and records; and
- the reporting of all Special Accounts.

7.56 There had also been inadequate understanding within agencies of, and non-compliance with, aspects of the legislation that had established particular Special Accounts. This included where legislation required amounts to be credited to a Special Account.

7.57 One example involved the Rural Transactions Centres Account. The relevant legislation required \$70 million in social bonus funds from Telstra 2 to be credited in 1999 to this Account. However, only \$61.7 million was

---

32 ANAO, *Transcript, 21 June 2004*, pp. 13-14.

33 DEH, *Transcript 21 June 2004*, pp. 14-15.

34 DEH, *Transcript 21 June 2004*, p. 15.

recorded and reported against the Account in 1999–2000. The non-compliance with the legislative requirements was corrected by the administering agency in 2002–03, when the balance of the Account was increased by \$8.3 million.<sup>35</sup>

#### *Enabling legislation*

- 7.58 The Committee queried AFFA on the circumstances surrounding the Strategic Ballast Water Research and Development Account.
- 7.59 AFFA responded that the account had collected levies but the operation of the Special Account had been repealed accidentally as an unintended consequence of the legislation when the levy balance reached the account limit.
- 7.60 AFFA had since checked all its Special Accounts to ensure that valid enabling legislation remains in place.<sup>36</sup>

#### *Payments from non-existing Special Accounts*

- 7.61 The Committee was informed that payments in and out of the Court Litigants Trust Account at the time of the audit were being made on the basis of Court Orders, not appropriation.<sup>37</sup> ANAO was uncertain as to whether Special Account appropriation rather than Court Order was required prior to the expenditure of these funds.
- 7.62 Finance explained that the trustees of the Federal Magistrate Service Court Litigants Trust Account had operated on the basis that these trust monies were not part of the Consolidated Revenue Fund (CRF) and therefore expenditure did not require an appropriation.
- 7.63 This had led ANAO to question whether monies held by the Commonwealth in trust were, in fact, part of the CRF. Finance informed the Committee that it had taken legal advice in September 2003 on whether this was the case:

There was a view that trust money was not part of the consolidated revenue of the Commonwealth and therefore the expenditure of trust money did not require an appropriation because it was never part of the Treasury of the Commonwealth, which is what is required by s. 83.<sup>38</sup>

---

35 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 16.

36 AFFA, Transcript, 21 June 2004, p. 11.

37 ANAO, Audit Report No. 24, *Agency Management of Special Accounts*, p. 81.

38 Finance, Transcript 21 June 2004, p. 10.

We have come to the conclusion that ...we should treat as it as if it were part of consolidated revenue. Essentially all money received by the Commonwealth does go into consolidated revenue. Therefore an appropriation is required.<sup>39</sup>

- 7.64 To clarify the legal status of the Federal Magistrate Service Litigants Trust, new Special Accounts are being created to put the matter beyond any doubt.<sup>40</sup>
- 7.65 Finance confirmed to the Committee that it is taking a conservative approach to the treatment of monies held by the Commonwealth in trust by treating such monies as part of the CRF and therefore require appropriation properly authorised by Parliament.<sup>41</sup>

#### *Drawing rights*

- 7.66 Witnesses were questioned about who was given authority within agencies to draw on Special Accounts. Finance advised that the nomination of personnel holding drawing rights on Special Accounts had been delegated to agencies under the FMA Act.<sup>42</sup> In Finance's view, there was no need for any central register of the holders of drawing rights, nor was a central register practical.
- 7.67 ANAO advised the Committee that it had found during its audit that the Department of Defence had not issued drawing rights.

[The Department of Defence is] working with the Australian Government Solicitor to try and fix them up.<sup>43</sup>

#### *Debit outside the purpose of the account*

- 7.68 ANAO reported finding four Special Accounts for of which debits had been reportedly made for purposes other than those specified in the establishing legislation or Determination.<sup>44</sup>
- 7.69 The Committee notes that these actions contravene s. 20 of the FMA Act.

#### **Committee comment**

- 7.70 The Committee was concerned at the wide range of shortcomings in Special Accounts management identified by ANAO. At least agencies

---

39 Finance, *Transcript 21 June 2004*, p. 11.

40 Finance, *Transcript, 21 June 2004*, pp. 10-11.

41 Finance, *Transcript, 21 June 2004*, p. 11.

42 Finance, *Transcript, 21 June 2004*, p. 12.

43 ANAO, *Transcript, 21 June 2004*, p. 17.

44 ANAO, Audit Report No. 24, 2003-2004, *Agency Management of Special Accounts*, p. 17.

appear to have responded positively to the ANAO report and reviewed their Special Accounts and the way they are administered.

- 7.71 While the ANAO review may have prompted agencies to examine and rectify mistakes in the management of their Special Accounts, the Committee does not want this to be a one off event.
- 7.72 The Committee accepts that the FMA Act largely delegates the financial management responsibilities for Special Accounts to agencies. The Committee believes, however, that Finance has a continuing role to provide advice to agencies on management of Special Accounts. Indeed, Finance's initiatives, including its introduction of a Special Accounts register and the issuing of the *Finance Guidelines for the Management of Special Accounts* to agencies, have made positive impacts. Notwithstanding, the degree of centralised supervision by Finance is still at inadequate levels and this may lead to instances of poor administration of their Special Accounts by agencies in the future.
- 7.73 From the evidence before it, the Committee sees a need for agencies to undertake annual reviews to ensure that their Special Accounts are being administered appropriately. The reviews should be against a checklist or range of criteria determined by Finance. This information should be reported annually to Finance so that there can be some basic centralised assurance that Special Accounts are, in fact, being administered in compliance with *all* aspects of their enabling legislation or Finance Minister's determinations.
- 7.74 As a minimum, the Committee believes agencies administering Special Accounts should be able to report that they have:
- A Register of all Special Accounts they administer and the basis for their establishment;
  - Confirmed the adequacy of enabling legislation, where appropriate, for the establishment, management and closure of each Special Account;
  - Ensured the existence of valid drawing rights, and maintain a record of agency delegates who hold drawing rights;
  - Checked that there are current references to Special Accounts in Chief Executives Instructions; and
  - Provided appropriate training to agency personnel managing Special Accounts.
- 7.75 The Committee recommends accordingly.

**Recommendation 7**

**7.76 The Department of Finance and Administration raise the level of agency accountability for their Special Accounts by developing appropriate Special Account management standards to complement the *Finance Guidelines for the Management of Special Accounts*.**

**For each Special Account they administer, agencies be required to report annually to the Department of Finance and Administration that they have complied with these standards.**

**Bob Charles MP  
Chairman**