

# JCPAA ACCRUAL BUDGET DOCUMENTATION REVIEW

## Treasury Follow-up questions

- 1. During the round table discussions held on the 22 June, Mr Tony Harris raised the issue of whether the budget outcome should be audited. Mr Ian McPhee, deputy Auditor-General responded that 'it would be within the capability of the ANAO to review the budget outcome.' (Transcript p. 3 1)**

– **Would you discuss the merits and feasibility of auditing the budget outcome?**

As noted in the answer provided to this question by the Department of Finance and Administration, the Final Budget Outcome document is compiled using accrual-based accounting information from agencies that has been audit cleared by the Australian National Audit Office (ANAO).

A number of issues would need consideration in deciding whether the FBO should be audited, including:

- whether the ANAO audit would be limited to the AAS31 information in the FBO or would include the Government Finance Statistics (GFS) data; and
- the timetable requirements of the Charter of Budget Honesty, under which the FBO must be published by the end of September in the relevant year.

- 2. Report of the Senate Finance and Public Administration Legislation Committee (SFPALC), *The Format of the Portfolio Budget Statements, Third Report.***

**The SFPALC concluded that Senators were ‘exhibiting varying levels of patience with the current levels of instability in the reporting frameworks in some portfolios; there is a clear expectation that the frameworks should stabilise sooner rather than later.’ (Report, p. 39)**

– **Do you feel you are achieving year-on-year stability in the outputs/outcomes structure and performance measures which are contained within your Budget documents and annual report?**

Treasury considers that it has achieved a stable structure for its outputs/outcomes framework and performance measures. The structure has not changed significantly since its introduction.

- 3. Currently agencies check with ANAO on an ad hoc basis as to whether accounting policy is in accordance with accounting standards. The ANAO has suggested that agencies should be encouraged to consult with it on the accounting policies in respect of new or complex financial arrangements at the time of budget preparation.**

– **Do you agree with this view?**

The Department of Finance and Administration has established an Accounting Centre of Excellence (ACE) to act as the first port of call for agencies seeking accounting advice. Treasury understands that ACE frequently consults with the ANAO in developing accounting advice to agencies on new or complex arrangements.

- 4. The PBS does not currently provide forward performance information in addition to forward financial information. This does not assist members and senators to understand how agencies are performing today and how they expect to perform in the longer term.**
- **Would you discuss the merits and feasibility of providing forward performance information in addition to forward financial information in the PBS?**

The format of the Portfolio Budget Statements is the responsibility of the Department of Finance and Administration. Treasury refers the Committee to the response provided to this question by the Department of Finance and Administration.

- 5. An annual report is not tabled in Parliament for some time after the Parliament has had the opportunity to consider the Budget estimates. This issue was raised by the Senate Finance and Public Administration Legislation Committee in *The Format of the Portfolio Budget Statements, Third Report (page 41)*.**

**There appears merit in agencies providing at budget time, an estimated actual performance outcome to allow comparison of that information with the estimated actual financial information in the budget papers.**

- **Would you comment on this proposal?**

The format and content of portfolio budget statements is the responsibility of the Department of Finance and Administration. Treasury refers the Committee to the response provided by the Department of Finance and Administration to the Committee's questions on providing estimated or forward information in portfolio budget statements.

- 6. Many outcomes involve the achievement of a desired state of affairs over a longer-term. It may not be possible to report meaningfully against all aspects of the outcome in the shorter term. The anao considers that there are benefits in agencies specifying intermediate outcomes. These include:**
- **assisting management to articulate and communicate achievable short-term objectives across the organisation;**
  - **demonstrating practical linkages between outputs and desired outcomes; and**
  - **assisting in planning, monitoring and performance reporting of long term objectives.**
- **Would you comment on the use of intermediate outcomes to measure progress towards achieving your longer-term outcomes?**

Treasury agrees that in particular contexts, intermediate outcomes may be of assistance in measuring progress towards longer term outcomes. However, Treasury does not currently make use of intermediate outcomes. There are a number of complexities involved in assessing the impact of policy advice on outcomes and Treasury is continuing to consider how it can best measure progress towards achieving Treasury's longer term outcomes.

**7. It has been suggested that the following could assist departments/agencies to accurately measure their outputs:**

- **develop a data dictionary of the terminology used in their outcomes and outputs framework;**
  - **promulgate agency wide measurement methodologies and counting rules to ensure consistent measurement of performance measures particularly, where more than one functional area is involved in reporting agency performance; and**
  - **set up appropriate audit trails to monitor progress against delivery of their outputs.**
- **Has the guidance provided by DoFA been useful?**
  - **Do you already use some or all of the above methods? If yes, which ones?**

Treasury has found advice from the Department of Finance and Administration useful in compiling its performance information. In its Portfolio Budget Statement, Treasury provides a glossary of terms relating to Treasury outputs and outcomes.

There is considerable complexity in attempting to quantify performance information on economic policy advice in any meaningful way. A primary means of evaluating performance information for the Department of Treasury is currently feedback from Treasury ministers on the timeliness and relevance of policy advice. For that reason, Treasury does not currently make use of audit trails to monitor progress against delivery of outputs. The PBS provides a discussion of the means by which Treasury agency outputs may be evaluated.

**8. The main aim of the CUC was to encourage agencies to recognise their assets and promote good asset management.**

- **Would you discuss whether in practice the CUC has been beneficial?**

Administration of the Capital User Charge (CUC) is the responsibility of the Department of Finance and Administration (Finance). Treasury refers the Committee to the answer provided to this question by Finance.

**9. From time to time agencies can achieve a significant operating surplus separate from the Capital User Charge. There appears merit in requiring agencies to specifically identify the details of any surplus to output level with explanations in the agency Annual Report which can be matched to the audited financial statements.**

- **Would you discuss the merits and feasibility of this proposal?**

Administration of the Capital User Charge (CUC) is the responsibility of the Department of Finance and Administration (Finance). Treasury refers the Committee to the answer provided to this question by Finance.