

JCPAA Report 388: Review of the Accrual Budget Documentation Government Response to recommendations of a policy nature

1. Agencies with a shared outcome should:

- identify the shared outcome and the contribution of other agencies in achieving that outcome in their Portfolio Budget Statements (PBS) and annual report;
- determine a lead agency with prime responsibility for that outcome; and
- consider entering into memoranda of understanding with the other agencies to clarify the responsibilities of each agency in achieving the shared outcome.

Agree in principle

The Government notes the Committee's perception that "some agency outcomes statements are so broad and far reaching that as to be in effect outcomes shared with other agencies". The intention has been that outcomes statements be agency-specific to allow an assessment of that agency's contribution to an outcome.

The Government agrees that there is benefit in clarifying outcomes requirements given the experience gained since outcomes statements were introduced in 1999-2000. The Department of Finance and Administration (Finance) is developing Outcomes Principles that will require the development of more specific, less aspirational outcomes statements where appropriate. This will reduce the overlap in most instances, but there will be situations where the concept of cross-portfolio outcomes may have application.

There are options under examination to address such situations. The identification of a lead agency and the development of Memoranda of Understanding are avenues receiving consideration.

2. The annual reporting requirements should be amended to require agency annual reports to be tabled by 30 September.

Do not agree

The ability of agencies and the Australian National Audit Office to finalise and audit financial statements earlier than they have done in the past is a key issue. Following the recent Budget Estimates and Framework Review, the Government agreed to earlier targets for the provision of financial information by agencies. Implementation of the targets will occur progressively over the next three years and the Government may then be in a position to reconsider the issue of deadlines for tabling of annual reports.

4. Agency outcome statements should:

- completely and clearly define their key objectives to reflect the impacts Government expects from their work;
- completely and clearly define the impacts Government expects from agency administered items; and
- accurately articulate the purpose of the relevant appropriations under the Appropriation Acts of the Commonwealth Budget.

Agree in principle

Finance's website advice on specifying outcomes is explicit about the need to address the matters identified in this recommendation and reinforces this guidance through the provision of examples.

In practice, closer linkages are desirable between outcomes and the supporting outputs and administered items. In some cases, subject to the requirements of relevant Ministers, a disaggregation of existing outcomes resulting from the expected application of the Outcomes Principles mentioned above will address this need.

5. Agencies with a single broad ranging outcome, or with a small number of highly aggregated outcomes, should identify intermediate outcomes to indicate the shorter-term objectives on the path to achieving their higher-level outcomes.

Agree

It is expected that the improved specification and, where necessary, disaggregation of outcomes discussed above, will be the primary avenues to address this recommendation. However, it is also agreed that where necessary, outcome statements can usefully be supplemented by the identification of intermediate outcomes covering desired shorter-term impacts. Existing guidance on the Finance website notes the latter option.

6. Agency performance measures identified in the PBS must always be accompanied by a comparative standard. Agencies should report their performance against this comparative standard in their annual reports, with a discussion if actual performance significantly varies from that expected.

Agree

The *Performance Management Principles*, promulgated in 2001 by the previous Minister for Finance and Administration, note that performance information is more effective where performance can be compared against specific benchmarks, targets or activity levels.

The guidelines for Portfolio Budget Statements (PBS) will be amended to require such information be specified for performance measures identified in the PBS. However, the guidelines will also indicate that in exceptional cases where it is not possible or desirable to identify a quantitative comparator, a qualitative measure should be applied. The guidelines will note that in all situations, further qualitative or non-targeted performance information can be identified where this adds perspective.

The annual report requirements promulgated by the Department of the Prime Minister and Cabinet already adequately indicate the nature of the linkage between the two documents in respect of reporting against performance targets.

11. The Final Budget Outcome (FBO) should be audited by the Australian National Audit Office.

Do not agree

The Government notes that the Final Budget Outcome must be published by 30 September, in accordance with the *Charter of Budget Honesty Act 1998*. Under present arrangements this deadline is met with little time to spare. Therefore, the introduction of a complete audit process would compromise this legislative requirement. As the individual agency accounts that are consolidated into the FBO are audited, there is already an implicit audit process undertaken.

The Consolidated Financial Statements (CFS) for the Commonwealth are already audited by the Australian National Audit Office. Under the *Financial Management and Accountability Act 1997* the CFS must be tabled within five months of the end of the financial year. Given that audit of the CFS already provides assurance on aggregate financial statements, the Government does not consider it necessary to add another layer of checking for the FBO with associated consequences for what is already a tight FBO timetable.

JCPAA Report 388: Recommendations of an administrative nature

Recommendations 3, 7, 8, 9, and 10 have been addressed in the Executive Minute on JCPAA Report 388. The Minister for Finance and Administration has forwarded this Minute to the Chairman of the Committee.