



OFFICE OF THE SECRETARY

EXECUTIVE MINUTE

on

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT
REPORT 388**

Review of the Accrual Budget Documentation

General comments

The Department of Finance and Administration (Finance) notes that the Committee found that the overall structure of the accrual budget documentation is sound, but agrees with the Committee's view that there will need to be continuous refinement of the documentation and that this may take a number of years.

Five of the eleven recommendations are of an administrative nature and are addressed via this Executive Minute. The other recommendations (1, 2, 4, 5, 6, and 11) will be the subject of a Government response.

Two of the five recommendations mentioned above involve both Finance and the Australian National Audit Office (ANAO). In developing the response to recommendations seven and ten of the report, Finance has consulted with the ANAO. The Auditor-General has responded separately to these recommendations.

Response to the recommendations

Recommendation No. 3 paragraph 4.21

Agency outcomes statements should be written in clear simple English language to allow for greater transparency.

Agree

Finance is developing Outcomes Principles to require the development of outcomes statements that are more specific and less aspirational in nature.

Particular emphasis will be given to the use of plain English, and to the expression of outcomes in more specific, less aspirational terms. Existing examples of better practice

will be identified. The aim will be to assist agencies to arrive at formulations for Ministerial consideration that not only express expectations in a strategic sense, but also continue to ensure that outcomes are expressed in a manner that constitute a valid purpose for an appropriation under the Australian Constitution.

Recommendation No. 7 paragraph 5.35

The Department of Finance and Administration and the Australian National Audit Office should develop performance measures for the advice they provide to agencies. Performance targets should accompany those measures.

Agree

Finance will promote and monitor increased feedback on the advice provided to agencies in respect of outcomes and outputs specification and performance reporting.

As noted in our current Portfolio Budget Statements (2002-03, p31), Finance regularly seeks feedback from a range of stakeholders on its budget processes and advice. Performance in relation to advice to other agencies is the subject of feedback in numerous inter-agency forums, including Chief Financial Officers and practitioners at other levels.

Specifically, Finance will develop performance targets and monitor feedback received on the framework advice it provides to agencies on matters such as the Portfolio Budget Statements guidelines, and the specification of outcomes, outputs and performance information.

Recommendation No. 8 paragraph 6.27

The Department of Finance and Administration should identify and report to the Minister on the risks and benefits of allowing Portfolio Ministers authority to issue amounts out of the Consolidated Revenue Fund directly rather than through the authority of the Minister for Finance. The Department should advise its Minister on the appropriateness of allowing Portfolio Ministers to exercise such an authority.

Agree

The Department of Finance and Administration has briefed the Minister on this issue. The recommendation relates to cash management. In this context, the Government considered the recommendations of the Budget Estimates and Framework Review and decided that a just in time draw-down model will be implemented whereby cash is

released (by Finance) from the Official Public Account to agencies for departmental and administered expenses. This will commence on 1 July 2003.

Recommendation No. 9 paragraph 6.44

The Department of Finance and Administration should amend its guidelines to agencies so that information describing the model used for pricing outputs is included in the agency PBS.

Agree


The Portfolio Budget Statements guidelines are revised annually and submitted to the Minister for Finance and Administration for approval. Finance will recommend that the guidelines be amended to require a succinct description in the PBS of the methodology applied in allocating costs between outputs as part of the process of determining their full price. This will add to readers' understanding of agency operations.

Recommendation No. 10 paragraph 6.69

The Department of Finance and Administration, in conjunction with the Australian National Audit Office, should review ways in which agencies should disclose details of any operating surplus to output or output group level. These details should be able to be matched to the agency's audited financial statements. The Finance Minister's Orders should be amended to put into effect such a reporting requirement.

Agree in principle

The 2001-02 Finance Minister's Orders require disclosure via the notes of "net contributions / cost to the Budget" by outcome, with additional separate disclosures of revenue, expenses, assets and liabilities by output *or* output group. The proposed 2002-03 Finance Minister's Orders require the additional separate disclosures of revenue, expenses, assets and liabilities by output *and* output group.


IJ Watt

13 February 2003