

# Executive Summary

The Commonwealth's financial transactions and the accounting for those transactions have changed greatly since Federation. In the past twenty years in particular there have been significant changes in the way that the executive government presents its budget to the parliament for approval and in the way in which it accounts for past expenditure.

The Commonwealth Government adopted accrual accounting in 1997 and in 1999-2000 for the first time presented a budget based on accrual accounting principles. In that budget the Government also adopted an outcomes and outputs reporting framework.

The Committee considers that the adoption of accrual accounting and budgeting has the potential for enhancing the management of the Commonwealth's funding and expenditure and has done so to an extent. Nevertheless, accrual budgeting and especially the associated outcomes and outputs framework, while resulting in some improvements in transparency, have posed challenges for Parliament's control of the appropriations processes.

The Senate required the Committee to inquire into a number of specific matters under the general reference on the transparency and accountability to Parliament of Commonwealth funding and expenditure. These specific matters included the impact of outcome budgeting, multiple sources of funding and the use of ordinary annual services to fund activities, including non-annual services, on the Parliament's ability to scrutinise, approve and monitor proposed and actual expenditure. The Committee was also required to recommend options for improving the transparency and specificity of the budget documents, and to propose other measures to improve the Parliament's oversight of proposed and actual Commonwealth funding and expenditure.

The Committee has made several recommendations and a number of suggestions in all these areas which, if adopted, would go some way to restoring the Parliament's constitutional and historical prerogatives with regard to the control of the Executive's funding and expenditure.

With regard to multiple sources of funding, the Committee has made recommendations for the production of a separate document setting out past and expected expenditure from special appropriations; for the tabling of topical information about the transfer of funds from one form of appropriation to another; for the return of net appropriations to appropriation bills; and for limiting the amounts of unspent appropriations. The Committee has also made recommendations in relation to the inclusion of new items of expenditure in the appropriation bills.

With regard to possible improvements to the budget documents the Committee has recommended that transparency and specificity could be improved by changes such as the presentation of financial data at the program level; by better specification of outcomes; by including data for forward years at the outcome and output levels in the Portfolio Budget Statements; and by the adoption of one agreed accounting standard.

The Committee has concluded that Parliament's oversight of proposed and actual public funding and expenditure could be improved by changes within the Senate committee system, such as more specific monitoring of the financial reports of the government by Committee Office staff, and by the Executive ensuring that the Appropriation bills are drafted so that departmental expenditure must be against an outcome or purpose set down in the bills. The Committee has also agreed with a number of suggestions made by the Auditor-General on specific measures the Audit Office could take to assist Senate committees with the consideration of estimates.