



THIRTY-SEVENTH PARLIAMENT

REPORT 12

**STANDING COMMITTEE ON PUBLIC
ADMINISTRATION AND FINANCE**

**IN RELATION TO THE
FINANCIAL ADMINISTRATION LEGISLATION
AMENDMENT BILL 2005**

Presented by Hon Barry House MLC (Chairman)

June 2005

STANDING COMMITTEE ON PUBLIC ADMINISTRATION AND FINANCE

Date first appointed:

May 24 2001

Terms of Reference:

The following is an extract from Schedule 1 of the Legislative Council Standing Orders:

“2. Public Administration and Finance Committee

2.1 A *Public Administration and Finance Committee* is established.

2.2 The Committee consists of 7 members.

2.3 The functions of the Committee are -

- (a) to inquire into and report on the structure, efficiency, effectiveness, and economic management of the system of public administration;
- (b) to consider and report on any bill or other matter referred by the House;
- (c) to inquire into and report on practice or procedure applicable or relating to administrative acts or decisions (either generally or in a particular case without inquiring into or reporting on the merits of the case);
- (d) to inquire into and report on the existence, adequacy, or availability, of merit and judicial review of administrative acts or decisions;
- (e) to consult regularly with the Parliamentary Commissioner for Administrative Investigations, the Auditor General, the Public Sector Standards Commissioner, the Information Commissioner, and any person holding an office of a like character.

2.4 Subject to subclause 2.3 (b), the following are excluded from inquiry by the Committee -

- (a) the Governor’s establishment;
- (b) the constitution and administration of Parliament;
- (c) the operations of the Executive Council;
- (d) a decision made by a person acting judicially;
- (e) a decision made by a person to exercise, or not exercise, a power of arrest or detention.”

Members as at the time of this inquiry:

Hon Barry House MLC (Chairman)

Hon Ed Dermer MLC (Deputy Chairman)

Hon Vincent Catania MLC

Hon Graham Giffard MLC

Hon Anthony Fels MLC

Hon Helen Morton MLC

Hon Shelley Archer MLC

Hon George Cash MLC (participating member)

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REPORT OF THE STANDING COMMITTEE ON PUBLIC ADMINISTRATION AND FINANCE

IN RELATION TO THE

FINANCIAL ADMINISTRATION LEGISLATION AMENDMENT BILL 2005

1 REFERENCE

- 1.1 The Long Title of the Financial Administration Legislation Amendment Bill 2005 (**Bill**) is as follows:

A Bill for

*An Act to amend the Financial Administration and Audit Act 1985;
and the Government Financial Responsibility Act 2000, and to make
consequential amendments to other Acts.*

- 1.2 The Bill was referred to the Standing Committee on Public Administration and Finance (**Committee**) on May 26 2005, on a motion by Hon Kim Chance MLC, Minister for Agriculture and Forestry and Leader of the House, in the following terms:

*That order of the day 35 Financial Administration Legislation
Amendment Bill 2005, be discharged and referred to the Standing
Committee on Public Administration and Finance for consideration
and report not later than Thursday 23 June 2005.¹*

2 PROCEDURE

- 2.1 The Committee did not advertise for or invite submissions. However, details of the inquiry were placed on the parliamentary website at: www.parliament.wa.gov.au.
- 2.2 On June 9 2005, the Committee conducted a public hearing with officers from the Department of Treasury and Finance (**DTF**), and the Office of the Auditor General (**OAG**).² The Committee extends its appreciation to all witnesses for their evidence and information, particularly in view of the available timeframes. The Committee also acknowledges the services of *Hansard* in the transcription of evidence.

¹ Hon Kim Chance, Minister for Agriculture and Forestry, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 26 2005, p2388.

² The witnesses from DTF were: Mr Colin Murphy, Acting Under Treasurer, and Mr Mick Jolob, Instructing Officer. The witnesses from OAG were: Mr Paul Jost, Executive Director, Standards and Quality; and Mr Barry Rowe, Director, Standards and Quality.

3 BACKGROUND

- 3.1 Department of Treasury and Finance witnesses confirmed that the Bill was initiated by DTF.³ It contains 46 clauses in four Parts. The Second Reading Speech indicates that the principal purpose of the Bill is to consolidate and streamline annual financial reporting by the Treasurer, improve the timeliness of annual and quarterly financial reporting by the Treasurer and annual reporting by government departments.⁴
- 3.2 The Bill also proposes amendments for three machinery of government items that were included for convenience.⁵ These are: legislatively recognising the creation of the Parliamentary Services Department; altering the role and name of the principal accounting officer in departments and statutory authorities; as well as providing a process for disbursing the 27th fortnightly pay provision to government agencies for distribution to public sector employees which occurs in the 2004/2005 financial year and every 11 years thereafter.
- 3.3 According to DTF witnesses, public sector reform is needed for the whole of government financial reporting and individual agency reporting. This need to overhaul the reporting system is as a result of the interplay between the *Financial Administration and Audit Act 1985* and the *Government Financial Responsibility Act 2000*. When the latter Act was proclaimed five years ago, its requirements were overlaid on the *Financial Administration and Audit Act 1985*. This resulted in a dual level of reporting. Another area requiring reform is that DTF produces reports in the public interest which have no legislative requirement for them to be produced or audited.⁶
- 3.4 According to the Second Reading Speech, the Bill proposes, over a three year phase in period, to replace the current:
- audited, cash based Treasurer's Annual Statements;
 - unaudited Government Financial Results Report prepared on an accrual basis; and
 - Consolidated Financial Statements;⁷

³ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p3.

⁴ Hon Ljiljanna Ravlich, Minister for Education and Training, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 6 2005, p1514. See also DTF's *Financial Reporting Timelines* chart at Appendix 1.

⁵ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p2.

⁶ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p2.

⁷ These are not required by legislation. Hon Ljiljanna Ravlich, Minister for Education and Training, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 6 2005, p1515.

with one audited Annual Report on State Finances to be released within 90 days of the end of the financial year.⁸ However, the Bill only proposes that the Annual Report on State Finances be released within 150 days.⁹ There is an express provision for the Executive, by future regulations, to shorten that 150 day period but there is no express provision for a three year, phase in period. The phase in period will be facilitated by Executive action (see paragraphs 4.5 and 4.6).

4 KEY ISSUES

- 4.1 The Committee resolved to limit its scrutiny to a number of key issues and that this Report be a source of information to assist debate in the House. Thus, this Report makes no formal recommendations but provides information and commentary on the following clauses in the Bill.

Clause 2

- 4.2 Clause 2(3) states:

A day for the coming into operation of section 31 is not to be fixed under subsection (1)¹⁰ until the prescribed period referred to in section 14A(1) of the Government Financial Responsibility Act 2000 is 90 days or less.

- 4.3 The reference to ‘section 31’ in this clause is a reference to the eventual repeal of section 14 of the *Government Financial Responsibility Act 2000* which will occur once the three year phase in period for the proposed Annual Report on State Finances is completed. The reference to section 14A(1) of the *Government Financial Responsibility Act 2000* in clause 2(3) is a reference to the release of the Annual Report on State Finances within a ‘prescribed period’. Initially the Bill proposes that this be 150 days after the end of the financial year or the period after the end of the financial year prescribed by the regulations, whichever is the shorter period.
- 4.4 During the three year phase in period, the current, Government Financial Results Report will continue to be released within three months after the end of the budget year.¹¹ The practical effect of this is that whilst moving towards the 90 day release period, the audited Annual Report on State Finances and the unaudited Government Financial Results Report will provide information to members of Parliament and the general public.

⁸ Hon Ljiljanna Ravlich, Minister for Education and Training, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 6 2005, p1515.

⁹ Clause 32 of the Bill.

¹⁰ Subsection 1 states: “This Act comes into operation on a day to be fixed by proclamation.”

¹¹ As per section 14 of the *Government Financial Responsibility Act 2000*.

- 4.5 Clause 2(3) is reliant upon DTF initiative and Executive action to make regulations shortening the release period, rather than the Parliament expressly providing for this within the Bill. Regulations for the three year phase in period are not yet drafted. Currently the *Government Financial Responsibility Act 2000* does not contain a regulation making power. However, clause 35 inserts a new Part 3 section 18 which is the standard regulation making power, commonly found in many bills.¹²
- 4.6 DTF provided the Committee with a *Proposed Phase in Period* chart. This is attached at Appendix 2. The chart indicates that the Executive plans to phase in the release of the Annual Report on State Finances from 150 days in 2005/6, then to 120 days in 2006/7, 105 days in 2007/8 and 90 days in 2008/9. However, the Bill itself does not provide for that level of prescription, it proposes a release period of 150 days after the end of the financial year.¹³
- 4.7 Clause 32 also inserts a new section 14A(2)(b) in the *Government Financial Responsibility Act 2000*. It provides for the release period to be shortened by further regulation. The Explanatory Memorandum refers to how the Bill “*progressively brings forward the timing of reports ...*”.¹⁴
- 4.8 The Committee examined DTF witnesses about the rationale for the 90 day release period being in regulations rather than the Bill. In response to a question asked by the Chairman on why the 90 day release period was to be included in the regulations and not the *Government Financial Responsibility Act 2000*, Mr Colin Murphy, Acting Under Treasurer, DTF, said:

*My response is that I would like to see us make changes, maybe not on a frequent basis, to those regulations to improve reporting. It would be much easier for us to make changes based on disallowable regulations than to have to seek amendment to the act every time we wanted to improve our financial reporting.*¹⁵

Conclusion

- 4.9 The release of the proposed Annual Report on State Finances within 90 days and the consequential abolition of the Government Financial Results report is reliant upon Executive action to make future regulations at 90 days.

¹² It states: “*The Governor may make regulations prescribing all matters that by this Act are required or permitted to be prescribed or that are necessary or convenient to be prescribed for giving effect to this Act.*”

¹³ Clause 32 of the Bill proposing new section 14A(2)(a) of the *Government Financial Responsibility Act 2000*.

¹⁴ Explanatory Memorandum, p1.

¹⁵ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p3.

- 4.10 The Committee acknowledges that it is often more convenient to progress legislative change through regulations rather than the Parliament amending the empowering enactment. Some Committee members suggested that it may be more appropriate to place reporting timeframes in the primary enactment as accountable personnel then have a legislative responsibility to achieve the deadlines and will work towards those deadlines. Should express reporting timeframes be included in the Bill, there would be no need for the Executive to initiate amendments to the regulations. Regulations are disallowable by either House of Parliament, and if disallowed, the previous regulations revive.¹⁶
- 4.11 Some Committee Members considered that providing for legislative change through future amendments to regulations can also be seen as a diminution of the sovereignty of the Parliament, (as against the Executive), to set the desired timeframes. Other members considered that rather than being a diminution of the sovereignty of the Parliament, providing for legislative change through future amendments to regulations, is often an appropriate mechanism. However, the Committee acknowledges that proposed clause 2(3) ensures that the current releasing timeframe under section 14 of the *Government Financial Responsibility Act 2000* for the Government Financial Results Report within three months of the end of the budget year, will continue until the 90 day release period crystallises. This requirement does not extend to the Treasurer's Annual Statements or the Consolidated Financial Statements.

Clause 7

- 4.12 Clause 7 proposes to insert a new subsection (2a) in section 27 of the *Financial Administration and Audit Act 1985*. Section 27 is titled: 'Transfers to Suspense Accounts' and proposed new subsection (2a) states:

(2a) Moneys standing to the credit of a suspense account under subsection (2)¹⁷ may be transferred as and when needed for application in connection with any commitment referred to in that subsection and, subject to subsection (3),¹⁸ are not to be applied in any other way.

¹⁶ Respectively, sections 42(2) and (6) of the *Interpretation Act 1984*.

¹⁷ It states: "*The Treasurer may direct that such amounts as may be required to provide in a financial year for payment of salaries and wages for a 27th fortnightly and 53rd weekly pay period occurring in a future financial year shall be charged against the appropriate Consolidated Fund items and transferred to a suspense account; and every such transfer shall be deemed a payment correctly chargeable against such items for that financial year.*"

¹⁸ It states: "*The sum or sums standing to the credit of every suspense account to which a sum is transferred under this section shall be credited to the Consolidated Fund at such time or times as the Treasurer directs.*"

- 4.13 Although not defined in the *Financial Administration and Audit Act 1985*, DTF advised the Committee that a suspense account is a holding account. It is a one ledger breakdown within what is collectively known as the Trust Fund.¹⁹ Within that ledger breakdown, accounts record money segregated from the general revenues of the State when an agency is uncertain about the purposes of the money. It is retained until the agency ascertains whether it is, in fact, tax revenue.²⁰
- 4.14 Over the past decade, government agencies have paid money into the 27th *Pay Suspense Account* on an annual basis, to provide for the rare, 27th fortnightly payment to public sector employees in the 11th year.²¹ DTF explained that there has been doubt about the legal capacity of DTF to remove the money from the suspense account.²²
- 4.15 DTF explained that in 2000, section 27 of the *Financial Administration and Audit Act 1985* was amended to provide for accrual appropriation.²³ At that time, a decision was made to only amend for that immediate purpose and leave the 27th fortnightly pay matter in abeyance.
- 4.16 DTF explained that legal advice obtained by DTF in 2004 from the State Solicitor's Office suggested that because of the two competing interpretations of section 27, further amendment of section 27 would be necessary in order to deal with the 27th fortnightly pay matter (see Appendix 3).
- 4.17 DTF confirmed that in the event the Bill is not passed in time for the 27th fortnightly pay period, its contingency plan is to examine the Treasurer's Advance Account and assess the capacity of various agencies' existing cash holdings to ensure the 27th fortnightly payment is made to public sector employees.²⁴ The Under Treasurer advised that the 27th pay would be met on time, irrespective of the passage of the Bill by June 30 2005.²⁵

¹⁹ DTF explained that there is a statutory requirement for the Treasurer to maintain three accounts. These are the Consolidated Fund, the Treasurer's Advance Account and the Trust Fund. Mr Mick Jolob, Instructing Officer, DTF, *Transcript of Evidence*, June 9 2005, p4.

²⁰ Mr Mick Jolob, Instructing Officer, DTF, *Transcript of Evidence*, June 9 2005, p4.

²¹ Section 27(2) of the *Financial Administration and Audit Act 1985* provides for salaries and wages for both a 27th fortnightly and 53rd weekly pay period.

²² Mr Mick Jolob, Instructing Officer, DTF, *Transcript of Evidence*, June 9 2005, pp5-6. Also Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p8.

²³ Mr Mick Jolob, Instructing Officer, DTF, *Transcript of Evidence*, June 9 2005 pp5-6. That amendment in 2000 was to insert a new section 27(1a) of the *Financial Administration and Audit Act 1985*.

²⁴ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p9.

²⁵ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p9.

Conclusion

- 4.18 The Committee accepts that proposed clause 7 is necessary to put beyond doubt the ability of DTF to draw money out of the 27th *Pay Suspense Account* for government agencies to distribute to public sector employees.

Clause 9

- 4.19 Clause 9 repeals section 56 of the *Financial Administration and Audit Act 1985* which provides for the principal accounting officer and inserts a new section outlining the role and function of its replacement, the chief financial officer.
- 4.20 The Second Reading Speech indicates that the role of principal accounting officer has changed considerably from that historically contemplated in 1985. The Bill proposes to reflect that the principal accounting officer is no longer a mere supervisor of transactional activities²⁶ but a strategic adviser on financial management issues.²⁷ Clause 9 provides for five specific functions including that of advising either the department or statutory authority of financial risks to respective current and projected services.²⁸
- 4.21 According to DTF, clause 9 was included in the Bill because of the implications associated with the introduction of shared services.²⁹ DTF had concerns that current section 56 of the *Financial Administration and Audit Act 1985* might restrict the ability to implement changes associated with shared services.³⁰
- 4.22 The Committee noted that the Institute of Chartered Accountants in Australia (ICAA) is critical of changes to section 56 and is of the view that the proposed references to a chief financial officer ‘providing advice’ are vague.³¹ In this respect, DTF said that

²⁶ Such as its bookkeeping and supervision role.

²⁷ Hon Ljiljana Ravlich, Minister for Education and Training, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 6 2005, p1515.

²⁸ This is proposed new section 56(2)(c) of the *Financial Administration and Audit Act 1985*.

²⁹ The ‘shared services’ approach will combine, into three Shared Service Centres, the corporate services (that is, human resources, finance and information management systems) that are currently provided in-house in each Government department and agency. Together, these Shared Service Centres (the Education and Training Shared Service Centre, the Health Corporate Network and the Office of Shared Service) will provide corporate services to most of the State’s public sector. One of the main aims of this reform programme is to standardise the finance and human resources systems that operate across the public sector. The approach was introduced as an outcome of the findings of the State Government’s Functional Review Taskforce, which in turn was initiated as a result of the recommendations made in The Machinery of Government Taskforce, *Government Structures for Better Results*, Ministry of the Premier and Cabinet, Perth, June 2001: http://www.functionalreview.dpc.wa.gov.au/index.cfm?fuseaction=services.fact_sheets, (viewed on June 13 2005). For further information on the ‘shared services’ approach, see: <http://www.functionalreview.dpc.wa.gov.au>.

³⁰ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p2.

³¹ Letter from Mr Con Abbott FCA, Regional Manager WA, The Institute of Chartered Accountants in Australia, to Mr Graeme Doyle, Director Financial Policy, DTF, August 30 2004, p2.

the role is specific with respect to the provision of advice. DTF stated that section 56 is worded that way to recognise that the accountable officer has overall responsibility for risk management and the providing of strategic advice on the two items in proposed new section 56(2)(b) and (c).³² DTF is of the view that the chief financial officer items ICAA recommended, are too difficult to introduce in a government arena with a diverse public sector. For example, the ICAA wanted chief financial officers and all senior finance and accounting personnel to be professionally qualified and be members of a professional accounting body.³³

- 4.23 DTF explained that the Bill does not fully address section 56 and will be revisited when the complete re-write of the *Financial Administration and Audit Act 1985* is undertaken.³⁴

Clause 11

- 4.24 Clause 11 repeals Division 12 of the *Financial Administration and Audit Act 1985*. Division 12 contains sections 59 to 61 inclusive, the subject matter of which is:

- the Treasurer's Quarterly Statements;
- the Treasurer's Annual Statements; and
- the requirement of the Treasurer to advise both Houses of Parliament of the Treasurer's inability to table statements and opinions by November 21 after the end of a financial year.

The Treasurer's Quarterly Statements

- 4.25 Currently, under section 59 of the *Financial Administration and Audit Act 1985*, the Treasurer's Quarterly Statements are to be published in the *Government Gazette* "as soon as possible" after the end of the financial year. According to DTF, publication in the past has normally taken more than 60 days.³⁵
- 4.26 Regulation 9(1) of the *Financial Administration Regulations 1986* states that for the purposes of section 59 of the *Financial Administration and Audit Act 1985*, the following statements comprise the Treasurer's Quarterly Statements:

³² These are: (b) providing advice on the effectiveness of accounting and financial management information systems and financial controls in meeting the requirements of the department or statutory authority. Also (c) providing advice concerning the financial implications of, and financial risks to, the department's or statutory authority's current and projected services.

³³ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p22.

³⁴ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p21.

³⁵ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p11.

- the Treasurer's Balances;³⁶
- the Consolidated Fund;³⁷
- the Trust Fund;³⁸ and
- the Treasurer's Advance Account.³⁹

4.27 DTF confirmed that the Treasurer's Quarterly Statements have been effectively obsolete since 2000/2001, having been superseded by the 'statements for each quarter' provided under section 16 of the *Government Financial Responsibility Act 2000*.⁴⁰ These 'statements for each quarter' are colloquially known as the 'Quarterly Financial Results Report'.⁴¹ The Second Reading Speech notes that cash based quarterly reporting requirements are of limited relevance in today's accrual accounting environment and this explains their demise.⁴²

The Treasurer's Annual Statements

4.28 Currently, section 60(1) of the *Financial Administration and Audit Act 1985* provides for the Treasurer to submit cash based Annual Statements to the Auditor General by August 31 of every financial year. This requirement is to be repealed by clause 11. Currently, the Annual Statements and a copy of the Auditor General's opinion must be tabled in both Houses of Parliament within 21 days of the Minister receiving the Auditor General's opinion and at the latest by November 21 of each financial year.⁴³ Under section 93(1a)(a) of the *Financial Administration and Audit Act 1985* the Auditor General must prepare and sign the opinion of the Treasurer's Annual Statements by 31 October. However, clause 23 of the Bill will abolish section 93(1a)(a).⁴⁴

³⁶ Regulation 9(1)(a). A statement of the balances of the Treasurer's accounts, the Public Bank Account and investments.

³⁷ Regulation 9(1)(b). A statement that provides — (i) a statement of revenue credited and expenditure charged to the Consolidated Fund and the net result for the quarter and for the financial year to the end of the quarter; and (ii) the balance of the Consolidated Fund as at the end of the quarter.

³⁸ Regulation 9(1)(c). A statement of the balances of accounts within the Trust Fund.

³⁹ Regulation 9(1)(d). A statement of the advances made under the authority of the *Treasurer's Advance Authorisation Act* to departments, statutory authorities, other Governments, accounts or persons and not recouped as at the end of the quarter.

⁴⁰ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p11.

⁴¹ Proposed clause 34(1)(b) of the Bill formally amends the name: 'statements for each quarter' to 'Quarterly Financial Results Report'.

⁴² Hon Ljiljanna Ravlich, Minister for Education and Training, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 6 2005, p1515.

⁴³ Section 61 of the *Financial Administration and Audit Act 1985* provides for the situation when the Treasurer cannot table the annual statements and Auditor General's opinion in the requisite time.

⁴⁴ Clause 23(2) of the Bill repeals section 93(1a) of the *Financial Administration and Audit Act 1985*.

4.29 Regulation 9(2) of the *Financial Administration Regulations 1986* states that for the purposes of section 60 of the *Financial Administration and Audit Act 1985*, the following statements comprise the Treasurer's Annual Statements:

- the Treasurer's Balances;⁴⁵
- the Consolidated Fund;⁴⁶
- the Trust Fund;⁴⁷
- the Treasurer's Advance Account;⁴⁸
- Loan Repayments;⁴⁹
- liability under Loan Acts;⁵⁰
- Loan Liability to the Commonwealth under agreements outside the *Financial Agreement Act 1928*;⁵¹
- Guarantees, Indemnities and Sureties;⁵² and
- Payments under Guarantees, Indemnities and Sureties.⁵³

⁴⁵ Regulation 9(2)(a). This is a statement of the balances of the Treasurer's accounts, the Public Bank Account and investments as at 30 June.

⁴⁶ Regulation 9(2)(b). A statement of revenue credited and expenditure charged to the Consolidated Fund, the net result for the year and the balance of the Consolidated Fund, including the following comparisons — (i) estimated revenue to actual out-turn for the year ended 30 June; (ii) actual expenditure to appropriations made under the Appropriation Acts for the year ended 30 June; and (iii) estimated expenditure to actual out-turn for expenditure authorised by other Acts.

⁴⁷ Regulation 9(2)(c). A statement of balances and accounts within the Trust Fund as at 30 June.

⁴⁸ Regulation 9(2)(d). A statement of the advances made under the authority of a Treasurer's Advance Authorisation Act to departments, statutory authorities, other Governments, accounts or persons and not recouped as at 30 June.

⁴⁹ Regulation 9(2)(e). A statement that provides a summary of repayments made during the financial year by departments, statutory authorities and persons in respect of loans made from the Consolidated Fund, the Consolidated Revenue Fund or General Loan and Capital Works Fund (as existed before 1 July 1993) or the General Loan Fund (as existed before 1 July 1986), being repayments made in advance of those required under established repayment schedules.

⁵⁰ Regulation 9(2)(f). A statement that provides a summary of the debt outstanding as at 30 June, and of loan raisings, repayments and redemptions during the financial year, in respect of borrowings made under the *Financial Agreement Act 1928* or through the Western Australian Treasury Corporation under the authority of Loan Acts.

⁵¹ Regulation 9(2)(g). A statement listing the State's liability to the Commonwealth, as at 30 June, under various agreements outside the *Financial Agreement Act 1928*.

⁵² Regulation 9(2)(h). A statement that provides a summary of contingent liability arising as a consequence of guarantees, the Treasurer or under the authority of an Act.

⁵³ Regulation 9(2)(i). A statement that provides a summary of payments made by the Treasurer under guarantees, indemnities and sureties.

- 4.30 With both the Treasurer's Quarterly Statements and the Treasurer's Annual Statements abolished, the Committee explored with DTF what information, if any, will translate from the Treasurer's Annual Statements to the proposed Annual Report on State Finances. This matter is examined in more detail at paragraph 4.56 and following.

Conclusion

- 4.31 The Committee observes that the proposed Annual Report on State Finances has a 150 day release period whereas the currently provided Treasurer's Annual Statements, has at the latest, a tabling date of November 21 or 144 days.⁵⁴ Prima facie, this does not appear to be an amelioration of a reporting time frame. However, the Committee acknowledges that the reports, although annual in presentation, are fundamentally different. One is cash based and the other, accrual based.

Clause 12

- 4.32 Clause 12 repeals Part II Division 13 of the *Financial Administration and Audit Act 1985*. Division 13 is headed: 'Reports of accountable officers of departments' and contains sections 62 to 65A inclusive, the subject matter of which is:

- the accountable officer of a department submitting a copy of the financial statements and other information to the Auditor General, by 15 August;⁵⁵
- the accountable officer of a department submitting to the Minister an annual report by 31 August;⁵⁶
- the Minister having to table the annual report and the Auditor General's opinion within 21 days of receiving the latter;⁵⁷ and
- the accountable officer of a department applying for an extension of time.⁵⁸

- 4.33 The Second Reading Speech states:

Our departments ... have until 5th November ... to table their annual reports in Parliament. That is too long - the current timeframes do

⁵⁴ DTF confirmed that in the last four years tabling has occurred within the 21 days following 31 October.

⁵⁵ Section 63 of the *Financial Administration and Audit Act 1985*.

⁵⁶ Section 62(1) of the *Financial Administration and Audit Act 1985*.

⁵⁷ Section 64(1) of the *Financial Administration and Audit Act 1985*.

⁵⁸ Section 65 of the *Financial Administration and Audit Act 1985*.

*not facilitate timely provision of information to Members of Parliament ...by our departments.*⁵⁹

- 4.34 Tabling becomes protracted when the timeframes available to the Auditor General to complete his audit opinion are considered. Under section 93(1a)(b) of the *Financial Administration and Audit Act 1985*, even if a department submitted the financial statements and other information to the Auditor General by August 15, the Auditor General has until October 15 to submit his opinion or if the statements and information are received after August 15, within 2 months of receiving them.
- 4.35 According to DTF, departments do not routinely apply for extensions and requesting an extension is not a widespread practice. Rather than departments manipulating the existing stepped, statutory regime to extend the reporting timeframe, the steps involve work being undertaken separately by the departments, the OAG and the Minister's office which protracts the tabling date to November 5.⁶⁰
- 4.36 DTF said that "... *the removal of the steps is absolutely essential if we are to get agencies and their auditors working in partnership towards a common deadline, instead of working in some ways, separately, and in isolation within their own discrete elements.*"⁶¹
- 4.37 The OAG view is that the stepped statutory regime for annual reporting has led to the situation where the quality of information in the reports can at times be "... *substandard in some cases.*"⁶² Mr Paul Jost, Executive Director, Standards and Quality, OAG, said that "*the stepped approach is going backwards rather than forwards*"⁶³ because currently, an agency uses the two month time limit to say it "*is not ready for the audit.*"⁶⁴ Mr Barry Rowe, Director, Standards and Quality, OAG said:

Without the dates, we could have an arrangement whereby we provide for the time that we believe we need and will give them [the departments] the time they believe they need. We can negotiate and

⁵⁹ Second Reading Speech, p1.

⁶⁰ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p12.

⁶¹ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p20.

⁶² Mr Paul Jost, Acting Executive Director, Standards and Quality, OAG, *Transcript of Evidence*, June 9 2005, p2.

⁶³ Mr Paul Jost, Acting Executive Director, Standards and Quality, OAG, *Transcript of Evidence*, June 9 2005, p5.

⁶⁴ Mr Paul Jost, Acting Executive Director, Standards and Quality, OAG, *Transcript of Evidence*, June 9 2005, p3.

*agree on time lines separately from those which are prescribed at the moment.*⁶⁵

- 4.38 Proposed clause 12 of the Bill repeals sections 62 to 65A inclusive. Clause 18 then provides for the Minister to table the annual report of a department within 128 days.⁶⁶ DTF's *Proposed Phase in Period* chart indicates that by regulation, the 128 day period will reduce to 90 days at the end of the three year phase in period.⁶⁷ However, clause 18 only provides for the capacity of future regulations to shorten that 128 day period. There is no express reference to 90 days.
- 4.39 Under clause 18, the tabling day for the annual report of a department will be within 128 days after the end of the financial year. This is the same number of days as exists under the current stepped, statutory regime.⁶⁸ The OAG stated that it would prefer an immediate 90 day reporting timeframe rather than a phased in period over three years.
- 4.40 Clause 19 states that if the annual report and the Auditor General's opinion cannot be tabled within the proposed 128 day limit or other prescribed period, the Minister is to inform the Parliament and explain.⁶⁹

Conclusion

- 4.41 The Committee notes the divergent views of the DTF and OAG witnesses. DTF prefer a 90 day period being phased in over three years to give departments time to adjust to the organisational change being proposed. The OAG supports an immediate introduction of a 90 day tabling period in the Bill and has no concerns about the proposed abolition of section 93(1a)(b) of the *Financial Administration and Audit Act 1985*.⁷⁰
- 4.42 DTF's *Proposed Phase in Period* chart indicates that by regulation, the 128 day period will reduce to 90 days at the end of the three year phase in period.⁷¹ However, the Committee notes that there is nothing in the Bill to compel Executive action in relation to a 90 day reporting period.

⁶⁵ Mr Barry Rowe Director, Standards and Quality, OAG, *Transcript of Evidence*, June 9 2005, p4.

⁶⁶ See DTF's 'Proposed Phase In Period' chart at Appendix 2.

⁶⁷ Explanatory Memorandum, p6.

⁶⁸ From July 1 to November 5th is 128 days. This combines the timeframes in sections 62, 63, 64 and 93(1a)(b) of the *Financial Administration and Audit Act 1985*.

⁶⁹ Proposed clause 19 repeals current section 70 of the *Financial Administration and Audit Act 1985* and replaces it with a proposed new section 70 to this effect.

⁷⁰ Clause 23(2) of the Bill repeals section 93(1a) of the *Financial Administration and Audit Act 1985*.

⁷¹ This is also explained in the Explanatory Memorandum, p6.

Clause 13

4.43 Clause 13 replaces the heading to Part II Division 14 of the *Financial Administration and Audit Act 1985*. Currently, Division 14 contains sections 66 to 70 inclusive, which provide for:

- how an accountable authority of a statutory authority has to prepare and submit an annual report to the Minister within 2 months of the end of June 30;⁷²
- how an accountable authority of a statutory authority has to submit to the Auditor General, financial statements and other information within 2 months after the end of the financial year;⁷³ and
- how the Minister must table the annual report and the Auditor General's opinion within 21 days of receipt of the Auditor General's opinion.⁷⁴

4.44 Clauses 14 to 19 amend, or repeal and replace these sections. Clause 18 provides for the Minister to table the annual reports of a statutory authority within 128 days. Future regulations may shorten that 128 day period. The Explanatory Memorandum to the Bill states that “currently, statutory authorities have up to 174 days after the end of the financial year to table their annual reports”.⁷⁵ Current section 70(1) of the *Financial Administration and Audit Act 1985* expressly provides for the Minister to grant an extension “within 2 months of the end of the financial year” and this may partly explain why the tabling date is as late as December.

4.45 The Committee notes that tabling delay is also linked to the fact that even if a statutory authority submitted its financial statements and other information to the Auditor General within two months after the end of the financial year, the Auditor General must under section 93(1a)(c) of the *Financial Administration and Audit Act 1985*, prepare and submit the opinion “... within 5 months of the end of the statutory authority's financial year or if the statements and information are received later than 2 months after the end of that financial year, within 3 months of receiving them.” However, clause 23 of the Bill will abolish section 93(1a).⁷⁶

4.46 During examination, neither DTF nor OAG witnesses distinguished between departments and statutory authorities, considering each as ‘agencies’. Both noted the extended tabling timeframes for statutory authorities. However, the OAG stated that

⁷² Section 66(1) of the *Financial Administration and Audit Act 1985*.

⁷³ Section 68(1) of the *Financial Administration and Audit Act 1985*.

⁷⁴ Section 69(1) of the *Financial Administration and Audit Act 1985*.

⁷⁵ Explanatory Memorandum, p6. This equates to just under six months.

⁷⁶ Clause 23(2) of the Bill repeals section 93(1a) of the *Financial Administration and Audit Act 1985*.

some of the statutory authorities report within much earlier timeframes, for example the Water Corporation and like departments, statutory authorities rarely seek extensions for reporting. Both DTF and the OAG agreed that the existing stepped, statutory regime protracts the tabling date. However, whilst DTF prefers the immediate reduction in the Bill from 174 to 128 days with a phased in reduction by regulation over three years to 90 days, OAG prefers an immediate 90 day period in the Bill and has no concerns about the proposed abolition of section 93(1a)(c) of the *Financial Administration and Audit Act 1985*.⁷⁷

- 4.47 Under clause 18, if the statutory authority's annual report and the Auditor General's opinion cannot be tabled within the proposed 128 day limit or other prescribed period, the Minister is to inform the Parliament and explain.⁷⁸

Conclusion

- 4.48 The Committee acknowledges that the 128 day reporting period is an amelioration of the current, 174 day timeframe for statutory authorities to table their annual reports. DTF's *Proposed Phase in Period* chart indicates that by regulation, the 128 day period will reduce to 90 days at the end of the three year phase in period.⁷⁹ However, other than departmental initiative, there is nothing in the Bill to initiate Executive action in relation to a 90 day tabling period.

Clause 24

- 4.49 Clause 24 repeals section 94 of the *Financial Administration and Audit Act 1985*. This section currently provides for the Auditor General to prepare, sign and table interim reports on the audit of the statements relating to the Treasurer's Annual Statements; as well as a department's and statutory authority's financial statements.
- 4.50 OAG witnesses said that they could not recall the OAG having issued an interim audit report in recent times. Mr Barry Rowe, Director, Standards, OAG, commented that the Auditor General has been pushing its repeal for some time and "... *does not like having to be in a position to issue interim reports.*"⁸⁰

Conclusion

- 4.51 Section 94 of the *Financial Administration and Audit Act 1985* appears to have fallen into disuse and for this reason, the Committee supports its repeal.

⁷⁷ Clause 23(2) of the Bill repeals section 93(1a) of the *Financial Administration and Audit Act 1985*.

⁷⁸ Proposed clause 19 repeals current section 70 of the *Financial Administration and Audit Act 1985* and replaces it with a proposed new section 70 to this effect.

⁷⁹ Explanatory Memorandum, p6. Also see Appendix 2.

⁸⁰ Mr Barry Rowe Director, Standards and Quality, OAG, *Transcript of Evidence*, June 9 2005, p8.

Clause 31

- 4.52 Clause 31 repeals section 14 of the *Government Financial Responsibility Act 2000*.⁸¹ That section provides for the Government Financial Results Report which is “... released within 3 months after the end of the budget year.”⁸² Under proposed clause 31, this three month period disappears and is replaced with the proposal in clause 32.

Clause 32

- 4.53 Clause 32 inserts new section 14A into the *Government Financial Responsibility Act 2000*, thereby creating an ‘Annual Report on State Finances’. This section will become operative when the prescribed period in proposed section 14A(2) is at 90 days.⁸³
- 4.54 With the abolition of the Treasurer’s Annual Statements, the Consolidated Financial Statements and the phasing out of the Government Financial Results Report, the proposed Annual Report on State Finances will become Western Australia’s most significant financial report. The Second Reading Speech referred to how the Annual Report on State Finances “... will retain the features of the *Government Financial Results Report*.”⁸⁴
- 4.55 The Committee sought advice from DTF witnesses on the information from the existing reports that was intended to translate into the new format.
- 4.56 DTF confirmed that a significant amount of information from the currently provided Treasurer’s Annual Statements will feature in the proposed Annual Report on State Finances.⁸⁵ DTF agreed to provide a proforma of its content and this is attached at Appendix 4.
- 4.57 DTF said it was the intention to produce the contents of the Government Financial Results Report and the Consolidated Financial Statements in a single report. In the interim, there will be a section which is government statistics based and the other, accounting standards based. Essentially, there will be two elements until such time as they can be merged and produced in the one document within 90 days.⁸⁶

⁸¹ But this clause will not become operative until the prescribed period in proposed new section 14A(1) of the *Government Financial Responsibility Act 2000* is 90 days or less.

⁸² Section 14(1) of the *Government Financial Responsibility Act 2000*.

⁸³ As per clause 2(3) of the Bill.

⁸⁴ Hon Ljiljanna Ravlich, Minister for Education and Training, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 6 2005, p1515. See also DTF’s *Whole of Government Reporting- Annual* chart at Appendix 5.

⁸⁵ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p14.

⁸⁶ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p14.

- 4.58 The Committee raised with DTF the matter of how to locate information about Trust Fund balances given the demise of the Treasurer's Annual Statements. Currently, the Treasurer's Annual Statements list all Trust Fund balances. Trust Fund statement of balances will continue to be located in each individual agency's annual report.
- 4.59 The Committee notes the view of the 1992, *Report of the Royal Commission into Commercial Activities of Government and Other Matters (Royal Commission)* that the provision of information to Parliament is the key to accountability. Given Parliament's role as the primary accountability agent of the general public, accurate information, in the form of the proposed Annual Report on State Finances will be its lifeblood. The Royal Commission emphasised that accountability can only be exacted where those whose responsibility it is to call government to account are themselves possessed of or able to obtain the information necessary to make considered judgments. Without information, Parliament can be neutralised, the public left vulnerable.⁸⁷

Conclusion

- 4.60 The Committee supports the overarching principle behind the Bill of improving the Treasurer's reporting timeframe for the proposed Annual Report on State Finances. However, there is a divergence of views within the Committee on whether that 90 day period should be achieved by reliance on the Executive making future regulations or by the Parliament providing express, transitional provisions in the Bill.

Clause 34

- 4.61 Clause 34 amends section 16 of the *Government Financial Responsibility Act 2000*. It currently provides for the release of 'statements for each quarter' with no release date. The amendments provide for a new, 'Quarterly Financial Results Report' for each quarter ending on the last day of March, September or December to be released within a prescribed period.
- 4.62 During the Second Reading Speech the Minister referred to how the "... *timeliness of quarterly reporting will be improved with the introduction of a requirement to table quarterly financial results reports within 60 days of the end of the quarter.*"⁸⁸ However, clause 34(2) of the Bill expressly provides for a 90 day release period, not 60. Future regulations may shorten that 90 day period but there is nothing in the Bill to compel Executive action in relation to a 60 day release period.⁸⁹

⁸⁷ Western Australia, *Report of the Royal Commission into Commercial Activities of Government and Other Matters: Part II*, Government Printer, Perth, 1992, pp2-12, paragraph 2.4.2.

⁸⁸ Hon Ljiljanna Ravlich, Minister for Education and Training, Western Australia, Legislative Council, *Parliamentary Debates (Hansard)*, May 6 2005, p1514.

⁸⁹ DTF also provided the Committee with a 'Whole of Government Reporting Quarterly' chart at Appendix 6 which contemplates 60 days at the end of the three year phase in period.

- 4.63 The Committee notes that clause 30 requires the Treasurer to explain to both Houses of Parliament the reasons for the Treasurer's inability to release the Quarterly Financial Results Report.⁹⁰ DTF advised that a breach would be highlighted in an Auditor General performance report.⁹¹

Clause 35

- 4.64 As stated at paragraph 4.5, clause 35 inserts a new Part 3 section 18 into the *Government Financial Responsibility Act 2000*. This is the standard regulation making power found in many Acts. It is needed in order to support the ability of the Executive to shorten the proposed 150 day release period for the Annual Report on State Finances as well as to shorten the proposed 90 day release period for the Quarterly Financial Results Report.

- 4.65 The Committee acknowledges that a regulation making power is seen to be both necessary and legitimate for the following reasons:

- to save pressure on limited parliamentary time;
- legislation may be too technical or detailed to be suitable for parliamentary consideration; and
- legislation may need to deal with rapidly changing or uncertain situations thereby making it unsuited to the often protracted parliamentary legislative process required to amend an Act or to introduce new legislation.

- 4.66 The Committee notes that legislation may be proposed, the detail of which is completed through regulations. This has the advantage of speed but avoids scrutiny by the Parliament of what may be controversial provisions omitted from the parent Act but enacted subsequently by regulation.



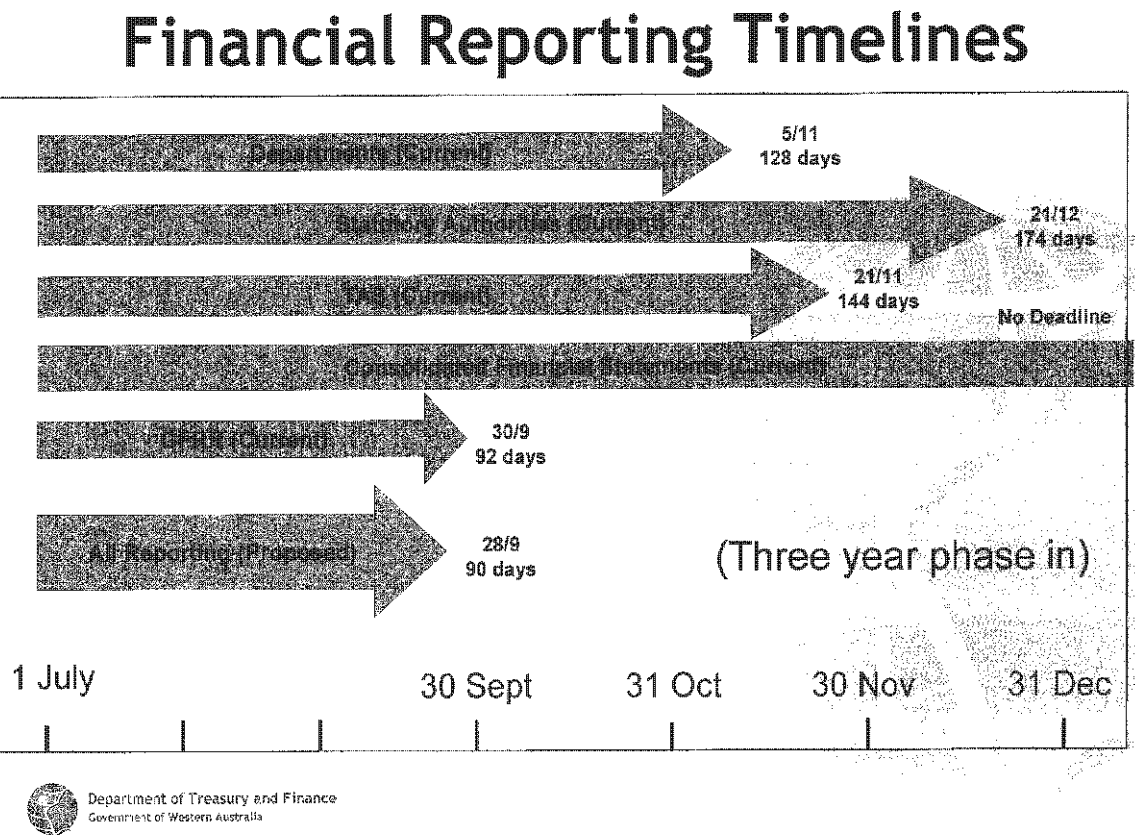
Hon Barry House MLC
Chairman
June 21 2005

⁹⁰ Clause 30 amends section 9 of the *Government Financial Responsibility Act 2000*. It inserts a new section 9(3)(b) to provide for this.

⁹¹ Mr Colin Murphy, Acting Under Treasurer, DTF, *Transcript of Evidence*, June 9 2005, p12.

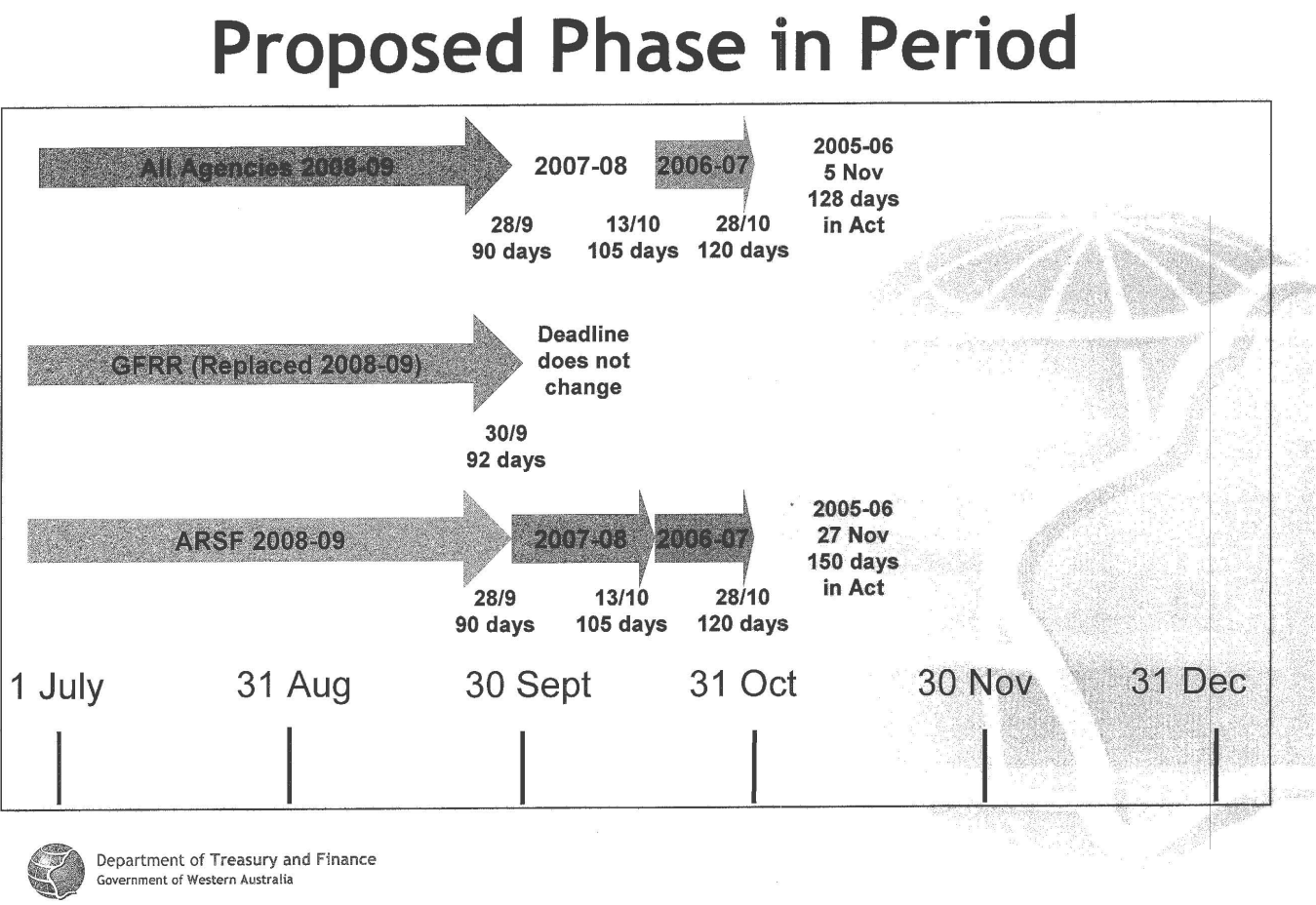
APPENDIX 1
DEPARTMENT OF TREASURY AND FINANCE
FINANCIAL REPORTING TIMELINES

APPENDIX 1 DEPARTMENT OF TREASURY AND FINANCE FINANCIAL REPORTING TIMELINES



APPENDIX 2
DEPARTMENT OF TREASURY AND FINANCE
PROPOSED PHASE IN PERIOD CHART

APPENDIX 2 DEPARTMENT OF TREASURY AND FINANCE PROPOSED PHASE IN PERIOD CHART



APPENDIX 3

**STATE SOLICITOR'S OFFICE LEGAL ADVICE TO THE
DEPARTMENT OF TREASURY AND FINANCE ON SECTION
27 OF THE *FINANCIAL ADMINISTRATION AND AUDIT ACT*
1985**

APPENDIX 3

STATE SOLICITOR'S OFFICE LEGAL ADVICE

ATTACHMENT 1.



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Mr Mick Jolob
A/Director - Financial Policy
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SECTION 27 OF THE FINANCIAL ADMINISTRATION & AUDIT ACT 1985

Section 27 of the *Financial Administration & Audit Act 1985* ("the FAAA") provides:

- "(1) The Treasurer may direct that an appropriation for a financial year may, to the extent necessary to meet any relevant commitment, be transferred to a suspense account, and any such transfer is to be regarded as a payment correctly chargeable against that appropriation for that financial year.
- (1a) Moneys standing to the credit of a suspense account under subsection (1) may be transferred as and when needed for application in connection with any relevant commitment and, subject to subsection (3), are not to be applied in any other way.
- (1b) In subsections (1) and (1a) —
"relevant commitment" means a commitment that —
 - (a) is relevant to the financial year referred to in subsection (1); and
 - (b) is in respect of superannuation, leave or depreciation.
- (2) The Treasurer may direct that such amounts as may be required to provide in a financial year for payment of salaries and wages for a 27th fortnightly and 53rd weekly pay period occurring in a future financial year shall be charged against the appropriate Consolidated Fund items and transferred to a suspense account; and every such transfer shall be deemed a payment correctly chargeable against such items for that financial year.
- (3) The sum or sums standing to the credit of every suspense account to which a sum is transferred under this section shall be credited to the Consolidated Fund at such time or times as the Treasurer directs."

By virtue of section 27(1a), moneys standing to the credit of a suspense account under section 27(1) may be transferred as and when needed for application in connection with any "relevant commitment" (as defined in section 27(1b)).

- 2 -

There is no equivalent of section 27(1a) in respect of moneys standing to the credit of a suspense account under section 27(2). Consequently, moneys standing to the credit of a suspense account under section 27(2) can only be dealt with in accordance with section 27(3). That is, they can only be "credited to the Consolidated Fund at such time or times as the Treasurer directs".

The amendment set out in clause 7 of the Financial Administration Legislation Amendment Bill 2005 will, if enacted, allow moneys standing to the credit of a suspense account under section 27(2) to be transferred as and when needed for application in connection with any commitment referred to in section 27(2). That is, such moneys will be able to be credited direct to agencies' operating accounts, rather than having to be credited to the Consolidated Fund.



JUDITH TASEFF
SENIOR ASSISTANT STATE SOLICITOR

10 June 2005

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APPENDIX 4
DEPARTMENT OF TREASURY AND FINANCE
PROFORMA ON CONTENTS OF THE PROPOSED ANNUAL
REPORT ON STATE FINANCES

APPENDIX 4

DEPARTMENT OF TREASURY AND FINANCE

PROFORMA ON CONTENTS OF THE PROPOSED ANNUAL REPORT ON STATE FINANCES

Attachment 2

PROPOSED NEW ANNUAL REPORT ON STATE FINANCES

Introduction

After the proposed three-year transition period, the new Annual Report on State Finances (ARSF) will:

- merge the current *Government Financial Results Report* (GFRR) (which is based on the Australian Bureau of Statistics' government finance statistics (GFS) framework and is unaudited) and the current *Consolidated Financial Statements* (CFS) (which is produced in accordance with the Australian Accounting Standards (AAS) and is audited);
- be directly comparable to budget;
- be audited; and
- be tabled in Parliament within 90 days of year-end.

This proposal would improve the timeliness, relevance and usefulness of information provided to Parliament. It would also put Western Australia in line with best practice in other States.

It should also be noted that the Australian Accounting Standards Board is currently working on a project to harmonise GFS and AAS in respect of public sector financial reporting. A harmonised public sector financial reporting standard would:

- remove the need for the two separate whole-of-government reports currently produced in Western Australia – the GFS-based GFRR and the AAS-based CFS;
- reduce confusion amongst users of financial reports (currently caused by having two separate whole-of-government reports prepared on a different basis); and
- facilitate a single whole-of-government financial report that is: (a) directly comparable to budget; and (b) auditable – i.e. the ARSF.

Treasurer's Annual Statements

At the same time, it is proposed that the current *Treasurer's Annual Statements* (TAS) would no longer be produced. The TAS is currently a requirement of the *Financial Administration and Audit Act*, an Act that is now 20 years old and

in need of updating to reflect today's budgeting, accounting and financial management environments.

The TAS reports on the transactions and balances of the Consolidated Fund, the Treasurer's Advance Account and the Trust Fund, on a predominantly cash accounting basis.

The fund basis of the TAS is very narrow in scope. To illustrate this, for 2003-04:

- the TAS reported Consolidated Fund receipts from operating activities of \$10,827 million. In contrast, operating revenue for the general government sector (which is the focus of the State's budget and includes the Consolidated Fund as a component) was \$12,753 million; and
- the TAS reported total recurrent expenditure by the Consolidated Fund of \$10,264 million, whereas operating expenses of the whole general government sector were \$11,954 million.

That is, the general government sector includes nearly \$2 billion per year in both revenue and expenses outside of the Consolidated Fund – and, therefore, outside the scope of the TAS.

The narrow scope of the TAS, combined with its cash basis of accounting, means that it is not comparable to the State's budget nor to any other whole-of-government financial report. In this regard:

- Western Australia has not used the Consolidated Fund as the headline measure of budget performance since the 1997-98 Budget. Since then, the focus has shifted from the Consolidated Fund to the whole-of-government (with a particular focus on the general government sector), in recognition of the fact that many transactions that impact public sector finances occur outside of the Consolidated Fund; and
- the State's budget has been prepared on a full accrual basis (in accordance with the GFS framework) since the 2000-01 Budget.

This narrow scope, cash basis of accounting and resultant lack of comparability to the budget severely limits the usefulness of the TAS as an accountability document, and only serves to increase confusion amongst users of financial reports.

For these reasons, the Auditor General has indicated that he strongly supports removal of the requirement to produce the TAS. In addition, Access Economics – which rates jurisdictions according to their 'fiscal transparency' – has advised the Department of Treasury and Finance that, reflecting the very limited relevance and usefulness of the TAS, abolition of the TAS would not

in any way affect its assessment of Western Australia's fiscal transparency (Access Economics currently ranks Western Australia as the most fiscally transparent of all States).

In terms of the individual components of the TAS:

- transactions of the Consolidated Fund form part of the general government sector's operations that will be reported in the ARSF (there is no need to separately report Consolidated Fund transactions as they are only a component of the bigger picture);
- balances of the Consolidated Fund form part of the general government sector's cash balances that will be reported in the ARSF (there is no need to separately report Consolidated Fund balances as they are only a component of the bigger picture);
- transactions and balances of the Trust Fund are not proposed to be reported in the ARSF, as the individual trust accounts that make up the Trust Fund are of limited relevance at the whole-of-government level and, in any event, are already reported elsewhere (i.e. in agencies' annual reports and/or Budget Paper No. 2);
- transactions of the Treasurer's Advance Account form part of the general government sector's operations that will be reported in the ARSF (there is no need to separately report Treasurer's Advance transactions as the Treasurer's Advance is only one of a number of funding sources);
- loan liabilities will be reflected on the balance sheet of the ARSF. Individual components of the overall loan liability are not proposed to be separately reported in the ARSF, as what matters is the overall level of – and movements in – total State debt;
- consistent with AAS requirements, contingent liabilities will be reported in the notes to the ARSF;
- details of net appropriation determinations are not proposed to be reported in the ARSF, as they are of limited relevance at the whole-of-government level and, in any event, are already reported elsewhere (i.e. in agencies' annual reports and/or Budget Paper No. 2); and
- trust statement details are not proposed to be reported in the ARSF, as they are of limited relevance at the whole-of-government level and, in any event, are already reported elsewhere (i.e. in agencies' annual reports).

APPENDIX 5
DEPARTMENT OF TREASURY AND FINANCE
WHOLE OF GOVERNMENT REPORTING - ANNUAL
CHART

APPENDIX 5

DEPARTMENT OF TREASURY AND FINANCE

WHOLE OF GOVERNMENT REPORTING - ANNUAL CHART

Whole of Government Reporting - Annual

Current

Government Financial Results Report

- key focus of media, ratings agencies, etc.
- legislative deadline of 30 September (GFRA)
- GFS based (accrual)
- unaudited

Consolidated Financial Statements

- currently receives little attention
- no legislative deadline or requirement
- AAS based (accrual)
- audited

Treasurer's Annual Statements

- currently receives little attention
- legislative deadline of 21 November (FAAA)
- narrow focus on Public Bank Account, rather than total public sector
- cash based
- audited

Proposed

Annual Report on State Finances

- single report to reduce confusion
- will be directly comparable to budget (GFS) and audited (AAS)
- deadline will be phased in over a 3 year period to 90 days after end of financial year
- during this phase-in period, Government Financial Results Report will continue to be produced and released by 30 September
- consistent with best practice in other States



Department of Treasury and Finance
Government of Western Australia

APPENDIX 6
DEPARTMENT OF TREASURY AND FINANCE
WHOLE OF GOVERNMENT REPORTING - QUARTERLY
CHART

Whole of Government Reporting - Quarterly

Current

Quarterly Financial Results Report

- focus of media, etc.
- GFS based (accrual)
- requirement of GFRA, but no legislative deadline

Treasurer's Quarterly Statements

- currently receive little attention
- narrow focus on Public Bank Account, rather than total public sector
- cash based
- requirement of FAAA, but no legislative deadline

Proposed

Quarterly Financial Results Report

- GFS based (accrual)
- legislative deadline of 60 days from end of quarter, phased-in over a 3 year period



Department of Treasury and Finance
Government of Western Australia