

Keeping an eye on the government's financial management

The Parliament's financial management watchdog, the Joint Committee of Public Accounts and Audit (JCPAA), has promised to keep a close eye on the way in which public sector agencies report their spending to the Parliament. The promise, made in the Committee's latest report on the Commonwealth's financial management laws, comes in the wake of recent financial reforms within the Australian Public Service.

The JCPAA report, released on 16 March 2000, focuses on the two laws that underpin the financial management activities of all Commonwealth departments, authorities and companies (the *Financial Management and Accountability Act 1997* and the *Commonwealth Authorities and Companies Act 1997*).

It is the first time that the Commonwealth's current financial management laws have been reviewed since they were drafted in 1994. Since that time, significant changes have occurred in the public sector, with the move to accrual accounting and devolution of responsibility to individual agencies. The focus of the JCPAA investigation was to check whether the financial management legislation was still doing its job and whether the changes had in any way compromised the accountability of the public service to the Parliament.

The JCPAA found that in general the legislation had been an effective vehicle for the new financial management framework. Where anomalies had arisen, it was because of the generalised nature of the Acts themselves. The JCPAA suggested that, in most cases, the problems should be sorted out by the entity concerned raising the issue with its portfolio Minister with a view to amending the entity's enabling legislation.

However, evidence to the inquiry revealed two conflicts with state legislation. In response, the Committee recommended that the lead Commonwealth agencies—the Departments of Finance and Administration and Treasury—should consult with their State counterparts to address possible inconsistencies in Commonwealth and State defamation and indemnity legislation.

The Committee also found inconsistency of terminology between the financial management legislation and the public and parliamentary service legislation. It recommended that the

Department of Finance and Administration and the Department of the Prime Minister and Cabinet review the matter and bring the terminology into line with that used by the private sector.

Of concern to the JCPAA was whether accountability of agencies to the Parliament had been maintained following the financial management reforms. The Committee reported that some Federal parliamentarians felt that the detail within the Appropriation Bills could be more clearly expressed. The Committee announced that it intended to maintain an active interest in this area. It recommended that the Department of Finance and Administration review the accrual budget format to ensure that the change to full accrual accounting did not diminish the ability of Parliament to scrutinise appropriations.

The Committee noted that the reforms had encouraged agencies to adopt a more business-like approach and provide value for money for services to Government. It was therefore important that Parliament was able to measure and compare the performance of agencies across the board.

The Committee repeated a recommendation, made in a 1995 report on accrual accounting, that information comparing agency performance should be tabled by the Department of Finance and Administration in Parliament every year. The Committee included an appendix giving examples of financial performance ratios which could form the basis for such comparisons.

The report *Review of the Financial Management and Accountability Act 1997 and the Commonwealth Authorities and Companies Act 1997* is available on the Public Accounts and Audit Committee's web site at www.aph.gov.au/house/committee/jpaa or from the Committee secretariat, telephone (02) 6277 4615 or email: jcpa@aph.gov.au