

## Public Finance and Audit Amendment (Budgeting and Financial Reporting) Bill 2002

### Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

This Bill is cognate with the *Appropriation Bill 2002*.

### Overview of Bill

The objects of this Bill are:

- (a) to amend the *Public Finance and Audit Act 1983*:
  - (i) to include provisions with respect to the coverage, presentation and contents of the State budget, and
  - (ii) to include provisions with respect to end-of-year reporting requirements on a total state sector basis, and
  - (iii) to include provisions with respect to within-year (monthly and half-yearly) reporting on a Government Finance Statistics basis, and
  - (iv) to update the provisions of the Act to reflect the shift from cash to accrual financial reporting, and
- (b) to amend the *General Government Debt Elimination Act 1995*:
  - (i) to re-express the purpose of the Act to be to provide the framework for the conduct of New South Wales fiscal policy, with a view to maintaining financial results that are financially sustainable in the medium and long term, and
  - (ii) to clarify certain fiscal principles set out in the Act, and
  - (iii) to remove provisions that will now be included in the *Public Finance and Audit Act 1983* as referred to in paragraph (a) (i) and (ii) of this Overview, and
  - (iv) to require a further review of the Act after 5 years, and
- (c) by means of the amendments described in paragraphs (a) and (b) of this Overview, to streamline budgeting and financial reporting arrangements, to remove inconsistencies between those Acts and to create a common set of legislative requirements that fulfil the objectives of both Acts.

### Outline of provisions

**Clause 1** sets out the name (also called the short title) of the proposed Act.

**Clause 2** provides for the commencement of the proposed Act on a day or days to be appointed by proclamation.

**Clause 3** is a formal provision giving effect to the amendments to the *Public Finance and Audit Act 1983* set out in Schedule 1.

**Clause 4** is a formal provision giving effect to the amendments to the *General Government Debt Elimination Act 1995* set out in Schedule 2.

### Schedule 1

**Schedule 1 [1]** inserts definitions of **Budget Papers** and **GFS** (Government Finance Statistics as reported by the Australian Bureau of Statistics) for the purposes of the Act.

**Schedule 1 [5]** substitutes section 6 which provides for the manner of, and time for, preparation of the Total State Sector Accounts. **Schedule 1 [4]** and **[6]** make consequential amendments.

**Schedule 1 [2], [3], [8], [10], [11], [13], [14], [16]** and **[17]** remove the requirement to prepare the accounts known as the Public Accounts, which cover the general government sector, in light of the intention to prepare financial information concerning the total state sector in accordance with Australian Accounting Standards.

**Schedule 1 [7]** substitutes section 8 to provide for within-year reporting requirements. The substituted section replaces and updates the provisions of Part 5 (Within-year reporting requirements) of the *General Government Debt Elimination Act 1995* (which are repealed by **Schedule 2 [6]**). It will require the Treasurer to publicly release:

- (a) a monthly statement setting out the budget time projections and year-to-date balances for

the major GFS aggregates disclosed in the Budget, and

- (b) a half-yearly review, by 31 December, containing:
  - (i) GFS budget time projections for the current financial year and an explanation of any significant variation in major aggregates from those budget time projections, and
  - (ii) revised forward estimates, for major GFS aggregates, over 3 years, and
  - (iii) the latest economic projections for the current financial year and an explanation of any significant variation from the budget time projections contained in the Budget Papers.

**Schedule 1 [9]** substitutes section 27A and inserts proposed sections 27AA and 27AB into the Act. The substituted and proposed sections substantially replace and update the provisions of Part 4 (Budget coverage, presentation and contents) of the *General Government Debt Elimination Act 1995* (which are repealed by **Schedule 2 [6]**). The substituted section 27A sets out the principles in accordance with which the Budget is to be presented. Proposed section 27AA prescribes Budget content. Proposed section 27AB specifies the time at which the Budget Papers for a financial year are to be tabled in the Legislative Assembly. **Schedule 1 [20]** provides that the substituted section 27A and proposed section 27AA do not apply to the budget for the 2002–03 financial year.

**Schedule 1 [12]** brings forward, from 15 November to 22 October, the latest date by which the Auditor-General is to transmit to the Treasurer the Total State Sector Accounts and the Auditor-General's opinion whether the accounts are properly drawn up.

**Schedule 1 [15]** brings forward, from 30 November to 31 October, the latest date by which the Treasurer is to present the Total State Sector Accounts and the Auditor-General's opinion to the Legislative Assembly.

**Schedule 1 [18]** brings forward, from 30 November to 31 October, the latest date by which the Auditor-General's report under section 52A of the *Public Finance and Audit Act 1983* is to be presented to each House of Parliament.

**Schedule 1 [19]** enables regulations of a savings or transitional nature to be made, if necessary or convenient, as a consequence of the amendments made to the *Public Finance and Audit Act 1983* by Schedule 1.

## **Schedule 2**

**Schedule 2 [1]** amends the long title to the Act as a consequence of the other amendments made by Schedule 2.

**Schedule 2 [2]** amends section 3 to state that the purpose of the Act is to provide a framework for the conduct of New South Wales fiscal policy, with a view to maintaining financial results that are fiscally sustainable in the medium and long term, and to make consequential amendments.

**Schedule 2 [3]** removes certain definitions that are expressed in cash reporting terms.

**Schedule 2 [4]** substitutes section 8 to add, as a long term fiscal target, the elimination of total state sector unfunded superannuation liabilities by 30 June 2030.

**Schedule 2 [5]** substitutes sections 13–17 to re-express fiscal principles No 3 (funding employer superannuation liabilities), No 4 (asset maintenance), No 5 (constrained growth in net cost of services and expenses), No 6 (prudent risk management) and No 7 (tax restraint).

**Schedule 2 [6]** repeals the provisions of Part 4 (Budget coverage, presentation and contents) and Part 5 (Within-year reporting requirements). The matter previously dealt with in Part 4 will now be dealt with by substituted section 27A and proposed sections 27AA and 27AB of the *Public Finance and Audit Act 1983*. The matter previously dealt with in Part 5 will now be dealt with by substituted section 8 of the *Public Finance and Audit Act 1983*.

**Schedule 2 [7]** omits a transitional provision which is now spent.

**Schedule 2 [8]** clarifies the application of the Act by listing other related Acts that are unaffected by its provisions.

**Schedule 2 [9]** inserts proposed section 30 which requires a further review of the Act to be completed in another 5 years' time.