

Public Accounts Committee
Parliament of New South Wales

**Report on Recommended Changes to
the Public Accounts**

1985-86

Parliament of New South Wales

Public Accounts Committee

of the Forty-eighth Parliament

Twenty-second Report

Report pursuant to section 57 (1) of the Public Finance and
Audit Act, 1983 on examination of proposed changes to the
Public Accounts.

May 1986

Members of the Public Accounts Committee

The members of the Public Accounts Committee are:

Mr John Murray, M.P.,Chairman

John Murray, formerly a teacher, was elected Member for Drummoyne in April, 1982. An Alderman on Drummoyne Council for three terms, John Murray was Mayor of the Council for five years and served four years as Councillor on Sydney County Council. He is currently a member of the Prostitution Committee and the House Committee.

Dr Andrew Refshauge, M.P.,Vice-Chairman Andrew Refshauge

was elected as Member for Marrickville in October, 1983. He previously practised as a Medical Practitioner with the Aboriginal Medical Service and was a past President of the Doctors' Reform Society. He is currently a fellow of the Senate of the University of Sydney.

Mr Colin Fisher, M.P.

Colin Fisher was elected Member for Upper Hunter in February, 1970. Former Minister for Local Government (1975) and Minister for Lands and Forests (1976), in opposition Colin Fisher has served as National Party Spokesman on Local Government, on Planning and Environment, and on Energy.

Mr Phillip Smiles, M.P.

Phillip Smiles was elected Member for Mosman in March, 1984. A management and marketing consultant since 1974, Phillip Smiles has been involved with entrepreneurial business activities since his teens. Since entering Parliament he has been actively interested in the areas of small business, emergency services, welfare and financial analysis.

Mr Allan Walsh, M.P.

Allan Walsh was elected Member for Maitland in September, 1981. Following eight years as a Mirage Fighter pilot with the R.A.A.F., he was involved in business management. Allan Walsh has also taught industrial relations, management and history at technical colleges.



Committee Members. From left: Andrew Refshauge (Vice-Chairman), Phillip Smiles, Colin Fisher, John Murray (Chairman), Allan Walsh

Secretariat

Frank Sartor, B.E., B.Comm.(Hons.), Director

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N.S.W. Public Accounts Committee

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CHAIRMAN'S FOREWORD

On 10 March, 1986, the Honourable K. G. Booth, Treasurer gave the Committee a reference, in terms of Section 57 of the Public Finance and Audit Act, to examine a review conducted by his office and the Auditor-General's office on the preparation of the Public Accounts.

The Treasurer requested that the Committee give special emphasis to proposed changes to the Consolidated Fund Payments Statement.

The Committee has reviewed the proposed changes, and agrees with the main thrust of the Treasury Review's Report, that duplication of financial information in the Public Accounts and Budget Papers should be reduced. Where in the Committee's view the amount of information available to the public would be reduced by the proposed changes, however, the Committee has rejected such changes.

On behalf of the Committee I commend the Treasurer's drive to rationalise existing financial information and urge that further steps be taken to increase the clarity of information provided in the Public Accounts.

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1. SUMMARY OF REPORT

- 1.1. The Committee received a reference from the Treasurer on 10 March, 1986 to comment on a report on proposed changes to the Tables of Public Accounts.
- 1.2. In essence the Report recommended changes to the presentation of the Public Accounts to reduce duplication. The major change concerns a substantial reduction in the volume of Table 4 "Consolidated Fund - Payments in Detail". (Refer Section 2.7.)
- 1.3. The Committee considers that the major factor to be examined is whether the recommendations would be detrimental to Parliament's and the public's interest in full disclosure and reporting of finances. (Refer Section 2.8.)
- 1.4. Other factors considered by the Committee were legal aspects, timing, certification of information, and change of ministerial portfolio. (Refer Sections 2.9 - 2.13.)
- 1.5. The Committee concludes that the proposed reduction to Table 4 of the Public Accounts would not result in a lower level of public disclosure of the government's finances, but would rationalise the current situation where financial information is duplicated in the Public Accounts and Budget documents (Refer Section 2.15.)
- 1.6. With regard to minor changes to other Tables, the Committee considers that in two cases the proposed changes would result in a diminution in publicly available information. In these cases the Committee does not support the proposals. (Refer Section 2.14.) The Committee's recommendations in relation to the Treasury Report proposals are summarised below.

1.7. Treasury Proposal 1

"Table 1: "Statement of Balances in Various Treasury Accounts" should include an appropriate footnote explaining that there are departmental bank accounts, the balances of which do not form part of the Consolidated Fund or Special Deposits Account". (Refer Section 3.1.)

Committee RecommendationThe Committee recommends that the proposed change be adopted.

1.8. Treasury Proposal 2

"Table 2: "Consolidated fund - Summary of Receipts and Payments" be replaced with a table similar to the summary table included in the document "Budget Estimates Classified by Program" which lists receipts and payments from the Consolidated Fund under a few broad headings only". (Refer Section 3.2.)

Committee RecommendationThe Committee does not support the proposed change and considers that inclusion of both the recommended summary version and the existing Table 2 would provide useful information for users of the Public Accounts.

1.9. Treasury Proposal 3

"Table 3: "Consolidated Fund - Receipts in Detail" include as separate headings only material amounts (as a guideline amounts of less than \$1 million to be accumulated and included under a heading "Other Receipts" in each receipts category)" (Refer Section 3.3.)

Committee RecommendationThe Committee does not support the proposed change as the amount of information publicly available would be reduced and the proposal would not make any material difference to the length of the Public Accounts.

1.10. Treasury Proposal 4

"Table 4: "Consolidated Fund - Payments in Detail" be replaced with a table that lists payments by Minister and by Organisational Unit (Department)" (Refer Section 3.4.)

Committee Recommendation: The Committee recommends that the proposed change to Table 4 be adopted, on the proviso that:

- (i) there be complete cross-referencing from the Public Accounts to specific Budget Papers;
- (ii) the administrative changes recommended to provide for certification of the accuracy of details of previous years payments appearing in the Budget Estimates, late tabling of estimates and changes in Ministerial portfolios be the subject of legislative amendments.

1.11. Treasury Proposal 5

"Tables in the Public Accounts include, where appropriate, previous year's figures as well as the budget estimates for the reporting year". (Refer Section 3.5.)

Committee RecommendationThe Committee recommends that the proposed change be adopted.

1.12. Treasury Proposal 6

"Table 14: "Consolidated Fund - Results for Last Five Years", Table 15 "Consolidated Fund - Taxation, Five Year Summary" and Table 16 "Loan Liability to the Commonwealth - Five Year Summary" be expanded to ten year summary tables". (Refer Section 3.6.)

Committee RecommendationThe Committee recommends that the proposed change be adopted.

1.13. Treasury Proposal 7

"The index be clearly identified by referencing it as an "Index to the Public Accounts". (Refer Section 3.7.)

Committee RecommendationThe Committee recommends that the proposed change be adopted.

1.14. Treasury Proposal 8

Table 5: "Consolidated Fund - Payments from Group Votes", be deleted on the grounds that it also appears in the Budget Papers. (Refer Section 3.8.)

Committee RecommendationThe Committee recommends that the proposed change be adopted and strongly supports moves to eliminate group votes and charge the amounts to the programs of the Ministers making use of these services.

1.15. Further Proposal

The Report recommends no change to Table II: "Advances Repayable to the State from external sources". (Refer Section 3.9.)

Committee Recommendation The Committee recommends that the Treasurer consider expanding Table 11 to include, under a separate heading, amounts repayable to the Treasury from internal sources.

1.16. The Committee has not given detailed consideration to the form of the Public Accounts other than to address the issues raised by Treasury. However, it is the Committee's view that further significant improvements in the presentation of the Public Accounts could be made. In this regard the Committee recommends that:

(i) Treasury conduct a survey to ascertain:

- the major users of the Public Accounts and Budget Papers;

- views of users with regard to ease of understanding of published financial information and suggestions for improvements;

(ii) following the survey, the Public Accounts and the Budget Papers be reviewed by Treasury with a view to increasing ease of understanding. Such a review would examine the feasibility of eliminating jargon, increasing cross-referencing, inserting explanatory footnotes, and publishing a glossary of terms;

(iii) Treasury give consideration to the annual publication of a layman's "Guide to the Public Accounts and Budget Papers". Such a guide would inform readers of the contents and format of the Public Accounts and Budget Papers and assist readers to find specific information.

BACKGROUND ISSUES

- 2.1. The Committee received a reference from the Treasurer on 10 March, 1986, (see appendix A) to comment on a report on suggested changes to the Public Accounts. The report "Review of Tables in the Public Accounts" was prepared by a Committee composed of Treasury and Auditor-General's Office staff and is reprinted as Appendix B.

- 2.2. The Public Accounts Committee's functions, contained in Section 57 of the Public Finance and Audit Act, include:
 - 57(1)(a): "to examine the Public Accounts transmitted to the Legislative Assembly by the Auditor-General"

 - 57(1)(e): "to report to the Legislative Assembly from time to time any alteration which the Committee thinks desirable in the form of these accounts or in the method of keeping them or in the method of receipt, expenditure or control of money relating to those accounts"

 - 57(1)(f): "to inquire into, and report to the Legislative Assembly upon any question in connection with these accounts which is referred to it by the Legislative Assembly, a Minister of the Crown or the Auditor-General"

- 2.3. The Public Accounts are prepared each year by the Treasurer, who must submit them to the Auditor-General within six (6) weeks of the close of the financial year (Public Finance and Audit Act, Section 6).

- 2.4. The Auditor-General is required under Section 51(1) of the Act, to transmit the Public Accounts to the Legislative Assembly no later than 30 September of each year, together with his Report

on the Accounts. The Public Accounts are published each year at the back of Part 1 of the Auditor-General's Report.

- 2.5. The Report "Review of Tables in the Public Accounts", was commissioned by the Treasurer as a result of the implementation' of program budgeting and improved financial reporting under the Annual Reports (Departments) Act. Concern was expressed at repetition of information contained in the Public Accounts in the Budget Papers and departmental financial statements, and the sheer volume of the Public Accounts with the impact of program budgeting.
- 2.6. In essence the Report forwarded by the Treasurer recommended a substantial reduction in the volume of the current Public Accounts. When reviewing the Report, the Committee considered a number of issues. Issues specifically relating to the proposed changes are discussed below. Comment on the individual proposals is contained in Chapter 3 and discussion on further issues relating to the Public Accounts is included as Chapter 4.

Level of detail required in the Public Accounts

- 2.7. The major recommendation of the Report is that Table 4 "Consolidated Fund - Payments in Detail", be reduced from approximately 240 pages to 21 pages. Reduction of detail for several other tables is also recommended.
- 2.8. The Committee considers, however, that the main issue is whether the recommendations would be detrimental to Parliament's and the public's interest in full disclosure and reporting of finances. Factors to be considered in this regard are:
 - (i) The information which is recommended for deletion from Table 4 of the Public Accounts can be found in a number of other sources. The main sources are the Budget Estimates

(Budget Paper No.3) and the Budget Estimates Classified by Program (the "Red Book").

- (ii) The Treasury Committee argues that departmental financial statements (prepared in accordance with the requirements of the new annual reporting legislation) would also duplicate this information. This argument is not considered valid by the Committee, as the purpose of the Public Accounts is to aggregate the departmental accounts and present an overall view of the government's financial position at 30 June, and the transactions for the year ending at that date.
- (iii) The Committee considers that the argument concerning duplication of information in the two budget papers mentioned above, has more substance. The Committee is of the view that the question which needs addressing is the cross-referencing between the Public Accounts and other documents. If there is clear cross-referencing, the level of information available should remain the same.

Legal aspects

- 2.9. The format of the Public Accounts is governed by the Public Finance and Audit Act, Section 6. Some of the changes recommended by the Treasury would therefore require amendment to the legislation.

Timing

- 2.10. If the Report's recommendations are implemented, there would be a need to ensure that information is available to the public within an acceptable timeframe.

The Auditor-General is currently required to present his Report and the Public Accounts to Parliament by 30th September. If considerable detail is removed from the Public Accounts, users

would need to have access to the Budget Papers for the deleted information.

- 2.11. The Treasury Committee recommended that an amendment be made to the Act to ensure that, where the Budget Estimates have not been tabled within 14 days of the tabling of the Auditor-General's Report, a detailed document containing payment information for the previous year be tabled in Parliament. The Committee notes that in practice the budget papers are normally tabled before the Auditor-General's Report.

Certification of Information

- 2.12. The Treasury Report recommended that the legislation be amended to require the Auditor-General to certify the accuracy of detailed payment information provided in the Budget Estimates.

Change of Ministerial Portfolio

- 2.13. A change in Ministerial portfolios after 1st July could result in the Public Accounts showing different information to that appearing in the Budget Estimates. The Report recommends a legislative amendment to require such differences to be suitably notated.

Minor Recommendations

- 2.14. The Report also recommends reduction or changes of a more minor nature to a number of other tables. The Committee assessed these proposals on the basis of whether they would result in less information being publicly available and in two cases the Committee did not support the proposed changes on these grounds. Details of the minor recommendations are included in Chapter 3.

Conclusion

- 2.15. The Committee concludes that the proposed reduction in the volume of Table 4 of the Public Accounts would not result in a lower level of public disclosure of the government's finances, but would rationalise the current situation where financial information is duplicated in the Public Accounts and Budget documents. With regard to minor recommendations the Committee is of the view that two of the recommendations would reduce the amount of information publicly available. The Committee therefore does not support these proposals.

3. PROPOSALS CONSIDERED IN DETAIL

3.1. Treasury Proposal 1

"Table 1: "Statement of Balances in Various Treasury Accounts" should include an appropriate footnote explaining that there are departmental bank accounts, the balances of which do not form part of the Consolidated Fund or Special Deposits Account".

Comment:The Committee considers that this change is minor and would clarify the accounts.

Committee RecommendationThe Committee recommends that the proposed change to Table 1 be adopted.

3.2. Treasury Proposal 2

"Table 2: "Consolidated fund - Summary of Receipts and Payments" be replaced with a table similar to the summary table included in the document "Budget Estimates Classified by Program" which lists receipts and payments from the Consolidated Fund under a few broad headings only".

Comment:The recommendation is to replace a table of about 4 pages with one containing about 7 figures. If the abridged version is considered useful for clarification purposes it would be better to include and the existing table.

Committee RecommendationThe Committee does not support the proposed change and considers that inclusion of both the recommended summary version and the existing Table 2 would provide useful information for users of the Public Accounts.

3.3. Treasury Proposal 3

"Table 3: "Consolidated Fund - Receipts in Detail" include as separate headings only material amounts (as a guideline amounts of less than \$1 million to be accumulated and included under a heading "Other Receipts" in each receipts category)".

Comment:The recommendation would not greatly decrease the size of this table. It would result in current figures giving details of such items as licence fees under Liquor (Amusement Devices) Amendment Act (\$808,000), Motor Dealers (\$706,000), Dangerous Goods Act (\$500,000) and fees for various services rendered being omitted. If the proposed change was implemented, these details would also be omitted from the budget papers, resulting in a reduction in publicly available information.

The Committee notes that at present a number of items titled "other receipts" (some over \$1 million) occur in the table while, at other places in the Table, items as low as \$19,000 and \$7,000 are included separately. The Committee found a lack of consistency in determining whether items were included separately or accumulated together under "other receipts".

Committee RecommendationThe Committee does not support the proposed change as the amount of information publicly available would be reduced and the proposal would not make any material difference to the length of the Public Accounts.

3.4. Treasury Proposal 4

"Table 4: "Consolidated Fund - Payments in Detail" be replaced with a table that lists payments by Minister and by Organisational Unit (Department). In order to give effect to this recommendation it will be necessary to instigate a number of administrative procedures within the Treasury and Auditor-General's Office so as to ensure full disclosure to

Parliament within an acceptable time frame. These procedures include:

- the preparation of a certificate by the Auditor-General attesting to the accuracy of detailed payment information provided in the Budget Estimates.

- where the Budget Estimates have not been tabled within fourteen (14) days of the tabling of the Auditor-General's Report, the preparation and tabling in the Parliament (or when Parliament is not sitting to the Clerk of the Legislative Assembly for distribution to Members) of a document detailing payment information for the previous year.

where there is a change in Ministerial portfolios after 1st July, Budget Papers are to include a suitable notation which highlights any differences between the Public Accounts and the Budget Estimates".

Comment:This is the major recommendation in the Report and is discussed in detail in Paragraphs 4.4 - 4.14 of the Report (Appendix B). The change would involve reduction in this Table from about 250 pages to 21 pages. The detailed information which it is proposed to omit from the Public Accounts would be available in the Budget papers.

The Report states "The Public Accounts could include a note that line item payment details are set out in the Budget papers". Cross-referencing to the Budget papers would be essential and should explicitly tell users in which Budget book they can find information. Cross-referencing notes should also be shown in each of the 21 pages as well as in the explanatory notes at the front of the accounts.

The other procedural changes recommended by the Committee, certification of the accuracy of details of previous years payments appearing in the Budget Estimates, provision for

tabling information if Budget Estimates are late and notation where a Minister changes portfolios would all require legislative amendments.

Committee RecommendationThe Committee recommends that the proposed change to Table 4 be adopted, on the proviso that:

- i) there be complete cross-referencing from the Public Accounts to specific Budget Papers;
- ii) the administrative changes recommended to provide for certification of the accuracy of details of previous years payments appearing in the Budget Estimates, late tabling of estimates and changes in Ministerial portfolios be the subject of legislative amendments.

3.5. Treasury Proposal 5

"Tables in the Public Accounts include, where appropriate, previous year's figures as well as the budget estimates for the reporting year".

Comment:This recommendation would enable comparisons with previous years and hence provide additional information.

Committee RecommendationThe Committee recommends that the proposed change be adopted.

3.6. Treasury Proposal 6

"Table 14: "Consolidated Fund - Results for Last Five Years", Table 15 "Consolidated Fund - Taxation, Five Year Summary" and Table 16 "Loan Liability to the Commonwealth - Five Year Summary" be expanded to ten year summary tables".

Comment:This would provide additional information which would, be of benefit to users of the Public Accounts.

Committee RecommendationThe Committee recommends that the proposed change be adopted.

3.7. Treasury Proposal 7

"The index be clearly identified by referencing it as an "Index to the Public Accounts".

Committee RecommendationThe Committee recommends that the proposed change be adopted.

3.8. Treasury Proposal 8

The Report makes a further recommendation which is not included in the "Recommendation" section. This is to eliminate Table 5: Consolidated Fund - Payments from Group Votes, on the grounds that it also appears at p 338-9 of Budget Paper No.3 (85-86).

Comment:The proposal would not require a legislative amendment as the Table is not required by the Public Finance and Audit Act. The Committee believes that, with the implementation of program budgeting, group votes should be abolished and the amounts involved charged to the programs of the Ministers who make use of these services.

Committee RecommendationThe Committee recommends that the proposed change be adopted and strongly supports moves to eliminate group votes and charge the amounts to the programs of the Ministers making use of these services.

3.9. Further Proposal

The Report recommends no change to Table II: "Advances Repayable to the State from External Sources".

Comment: The Committee considers that the table does not give the complete picture of all amounts repayable to the Treasury. It does not include, for example, advances to statutory bodies, such as the Water Resources Commission, which are partly funded from the Consolidated Fund.

The Committee notes that the distinction, between external sources and such internal sources as the Water Resources Commission, appears somewhat technical and results in the total advances repayable being a largely meaningless figure.

Committee Recommendation The Committee recommends that the Treasurer consider expanding Table 11 to include, under a separate heading, amounts repayable to the Treasury from internal sources.

4. FURTHER ISSUES

- 4.1. The Committee largely restricted its review of the Public Accounts to the issue of reducing duplication raised by the Treasury Report. The Committee has, however, a long standing interest in the clarity of the Public Accounts and believes that further steps need to be taken to increase the readability and understandability of the Accounts. In this context, the Committee wishes to raise a number of further issues and to make some additional recommendations.

Purpose of the Public Accounts

- 4.2. The purpose of the accounts is to provide advice to the Parliament on the government's expenditure for the previous year and to present an overall view of the government's financial position at 30 June. As part of this function the accounts are transmitted to the Auditor-General who then prepares a report to the Parliament.

Who are the main users of the Public Accounts?

- 4.3. It may be considered that primary users of the Public Accounts are members of parliament exercising their function of reviewing government. Secondary users could be journalists, academics, policy analysts and organisations such as the Australian Bureau of Statistics. The Committee considers, however, that research into users would be needed to clarify this question.

Does the format of the Public Accounts hinder or assist users?

- 4.4. One argument put forward by the Treasury Report is that the Public Accounts are not used to any great extent, with most users preferring the Budget papers. However, the Report by Treasury does not address the issue of why the Public Accounts

are not widely used. A common sense approach to this would be to ask intended users their views of the current format of the Public Accounts.

Problems with the current format of the Public Accounts

- 4.5. The Committee considers that the Public Accounts, as presently formatted are difficult for anyone to understand who does not have extensive work experience at the Treasury.

The main problems in the Committee's view are use of jargon, lack of adequate explanations and poor cross-referencing.

Recommendations

- 4.6. The Committee recommends that:

- (i) Treasury conduct a survey to ascertain:

- the major users of the Public Accounts and Budget Papers;
- views of users with regard to ease of understanding of published financial information and suggestions for improvements.

- (ii) following the survey, the Public Accounts and the Budget Papers be reviewed by Treasury with a view to increasing ease of understanding. Such a review would examine the feasibility of eliminating jargon, increasing cross-referencing, inserting explanatory footnotes, and publishing a glossary of terms;

- (iii) Treasury give consideration to the annual publication of a layman's 'Guide to the Public Accounts and Budget Papers'. Such a guide would inform readers of the contents and format of the Public Accounts and Budget Papers and assist readers to find specific information.

**TREASURER
NEW SOUTH WALES**

Mr J H Murray BA MP
Chairman
Public Accounts Committee
Parliament House
SYDNEY 2000

Dear Mr Murray

A committee of officers from the Treasury, my own office and the Auditor-General's Office has reviewed the preparation of the Public Accounts, with particular reference to the Consolidated Fund payments Statement.

I am enclosing copies of the Committee's report and in view of the functions of your Committee as set out in Section 57 of the Public Finance and Audit Act, I would appreciate your Committee's comments on the recommendations contained in the report with special emphasis on recommendation 1.4.

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AS I would prefer to introduce any changes in time for the 1985/86 Public Accounts I would also appreciate it if you could give the matter some priority.

Yours sincerely ~.

Treasurer

APPENDIX B

Public Accounts
Committee

Parliament House, Sydney 2000
Telephone: 230 2111

PARLIAMENT
LEGISLATIVE ASSEMBLY

11th April, 1986.

The Hon. Kenneth G. Booth M.P.,
Treasurer
3rd Floor, Premier's Wing,
State Office Block,
Cnr Bent and Macquarie Streets
SYDNEYNew South Wales 2000

Dear Mr Booth,

On 10 March, 1986 you wrote to the Public Accounts Committee seeking the Committee's comments on a review of the preparation of the Public Accounts, conducted by your office and the Auditor-General's Office.

I am pleased to forward herewith the Committee's comments on the proposed changes.

The Committee supports the proposal to reduce duplication by providing a summary of Consolidated Fund Payments rather than the existing detailed Table. With regard to Tables 2 and 3, the Committee does not support the proposed changes, as it considers the changes would reduce the amount of publicly available information.

The attached response from the Committee is in the format of a report, which I expect to table at a later date. I will forward a copy of the published version as soon as it is available.

Yours faithfully,
John Murray, M.P.
Chairman.

APPENDIXC

REVIEW OF TABLES IN THE PUBLIC ACCOUNTS.

THE TREASURY

N.S.W.

FEBRUARY 1986.

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REVIEW OF THE TABLES IN THE PUBLIC ACCOUNTS

INTRODUCTION

The need for the review of the tables in the Public Accounts arose from a concern of the possible impact that program budgeting, when fully implemented, might have on the size and format of those tables dealing with Consolidated Fund transactions. In addition, the repetition of similar information in Public Accounts, departmental financial statements (prepared in accordance with requirements of the new annual reporting legislation) and Budget Papers suggested that some rationalisation of reported information should be considered.

While all Public Accounts tables are reviewed in this report, the main recommendation involves the Consolidated Fund payments table. The Committee recommends a major restructuring of this table resulting in a highly summarised table extending over 21 pages instead of 300 pages if the present reporting method were continued.

The Consolidated Fund payments table recommendation which proposes that the Budget Papers be relied on for the previous years detailed payments information is extensive. This is because it has to have regard to the possibility firstly that Ministerial, departmental or function changes may occur between 1st July and the introduction of the Budget and secondly that the Budget may not be introduced into Parliament by 30th September. Either possibility is rarely likely to occur. However, Parliament may wish to be assured that, regardless of what might eventuate, reasonable detailed payments information about the reporting year is available within a reasonable time of the close of the year.

Because Parliamentary practice is involved, the Treasurer may wish to refer the Committee's recommendations regarding Table 4 - "Consolidated Fund - Payments in Detail", set out in paragraph 1.4 to the Public Accounts Committee.

1 . RECOMMENDATIONS

The Committee recommends that:-

1.1 Table 1: "Statement of Balances in Various Treasury Accounts" should include an appropriate footnote explaining that there are departmental bank accounts, the balances of which do not form part of the Consolidated Fund or Special Deposits Account.

1.2 Table 2 : "Consolidated Fund - Summary of Receipts and Payments" be replaced with a table similar to the summary table included in the document "Budget Estimates Classified by Program" which lists receipts and payments from the Consolidated Fund under a few broad headings only.

1.3 Table 3 : "Consolidated Fund - Receipts in Detail" includes separate headings only material amounts (as a guideline amounts of less than \$1 million to be accumulated and included under a heading "Other Receipts" in each receipts category).

1.4 Table 4 : "Consolidated Fund - Payments in Detail" be replaced with a table that lists payments by Minister and by Organisational Unit (Department). In order to give effect to this recommendation it will be necessary to instigate a number of administrative procedures within the Treasury and Auditor-General's Office so as to ensure full disclosure to Parliament within an acceptable time frame. These procedures include:

the preparation of a certificate by the Auditor-General attesting to the accuracy of detailed payment information provided in the Budget Estimates.

where the Budget Estimates have not been tabled within fourteen (14) days of the tabling of the Auditor-General's Report, the preparation and tabling in the

Parliament (or when Parliament is not sitting to the Clerk of the Legislative Assembly for distribution to Members) of a document detailing payment information for the previous year.

where there is a change in Ministerial portfolios after 1st July, Budget Papers are to include a suitable notation which highlights any differences between the Public Accounts and the Budget Estimates.

- 1.5 Tables in the Public Accounts include, where appropriate, previous year's figures as well as the budget estimates for the reporting year .
- 1.6 Table 14 : "Consolidated Fund - ~~Re~~sts for Last Five Years", Table 15 "Consolidated Fund - Taxation, Five Year Summary" and Table 16 "Loan Liability to the Commonwealth Five Year Summary" be expanded to ten year summary tables.
- 1.7 The index be clearly identified by referencing it "Index to the

2. BACKGROUND

2.1 Appointment of the Committee

The transition to appropriation by program of all Consolidated Fund payments in 1986/87 and the introduction of audited departmental financial statements, to be included in departmental annual reports in 1985/86, called into question the relevance of information included in the published Public Accounts.

On 21st November 1985, the Treasurer approved of the appointment of a Committee to review the contents of the Public Accounts. The Committee membership was to be:-

D. Nicholls, (then) Assistant Secretary and Deputy Comptroller of Accounts,
Treasury (Chairman).

R. Scullion, Chief Accountant, Treasury.

P. Allan, (then) Senior Policy
Adviser to the Treasurer,
Treasury.

K. Giles, Assistant Auditor-General,
Auditor-General's Office.

B. Whitherington,
Financial Accountant,
Treasury (Secretary).

2.2 Terms of Reference

The Treasurer approved the following terms of reference:-

"Review the published Public Accounts Statements, particularly the Consolidated Fund payments statement to see if the extent to which detail is reported is still required, having regard to the improved financial reporting requirements to be imposed on departments as a result of the Annual Reports (Departments) Act."

3. PUBLIC ACCOUNTS THE NEED FOR REVIEW

General

- 3.1 The present format of the Public Accounts broadly reflects the recommendations of the Public Accounts Review Committee which reported in 1979.

The present Committee saw its task as a follow-up review of the tables which resulted from those recommendations.

- 3.2 Two major new initiatives have been introduced since that first Committee's Report, program budgeting and annual reporting.

- 3.3 Program Budgeting will be fully implemented by 1986/87. Because of the provision of additional information and the greater dissection of payments, the size of the program budget document is considerably larger than the traditional line item budget document.

Traditionally, (supported by interpretation of the provisions of the Audit Act, 1902 and its replacement legislation, the Public Finance and Audit Act, 1983), the Consolidated Fund section of the Public Accounts has closely followed the format of the Budget Estimates.

If this practice is to continue, the size of the Public Accounts would increase substantially and the Public Accounts would probably have to be published as a separate volume rather than being included as an attachment in Volume I of the "Report of the Auditor-General".

- 3.4 Under the provisions of the Annual Reports (Departments), Act, 1983, Consolidated Fund departments are required to produce annual financial statements. These

statements will

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include appropriation information that would duplicate information contained in the Public Accounts if full program and summarised line item details continue to be published in that document.

- 3.5 The Annual Reporting legislation requires that the financial statements in annual reports include previous year's figures for comparison. The Committee notes that a number of the Public Accounts tables do not include previous year's figures. The Committee recommends that the Public Accounts conform to the Annual Reporting legislation in this regard. Tables affected are 1, 2, 3, 4, and 8.
- 3.6 The Committee considered it would be desirable to avoid both increases in the size of the Public Accounts and the duplication of financial information between the Public Accounts and the various departmental Annual Reports.
- 3.7 The Committee reviewed each of the tables in the Public Accounts with these two objectives in mind.

4. REVIEW OF EACH TABLE IN THE PUBLIC ACCOUNTS

4.1 Table 1 : "Statement of Balances in Various Treasury Accounts as at 30th June, and the Distribution of same into Cash and Securities"

In line with general financial reporting standards, the previous year's balances should be included in this table. The item "Amounts not included in Treasurer's Public Accounts" could be explained by way of a footnote to the Table which would clarify that these amounts represent deposits and payments in departmental bank accounts not reflected in the Consolidated Fund or Special Deposits Account.

4.2 Table 2 : "Consolidated Fund - Summary of Receipts and Payments"

The Committee considers that a brief summary which highlights the year's result, and provides comparisons with budget and the previous year's figures would add to the understanding of the budget result. Such a table appears in "Budget Estimates Classified by Program" (the "Red Book"). The Public Finance and Audit Act would need to be amended to permit this summarisation. Section 6(1) (b) of the Act currently requires the preparation of a statement showing "Consolidated Fund receipts and payments for that year". The words "receipts and payments" would need to be replaced by "summary".

4.3 Table 3 : "Consolidated Fund Receipts in Detail"

Having regard to the concept of materiality, the Committee considers that this table could be abbreviated by including receipt items separately only if they exceed \$1 million. Receipt items less than \$1 million could be included under a heading "Other Receipts" in each section of the table. The Public Finance and Audit Act would need to be amended to permit the summarisation. Section 6(1) (c) of the Act currently requires the preparation of a statement showing "Consolidated Fund receipts in detail for that year". The words "receipts in detail" would need to be replaced by "summarised receipts". Budget figures and previous years' actuals should also be included.

4.4 Table 4 : "Consolidated Fund Payments in Detail"

Together, Tables 3 and 4 set out in summary form and in detail the receipts and payments of the Consolidated Fund.

As mentioned previously the Committee was concerned at the implication of program budgeting and annual reporting on the size of these statements.

A series of alternative presentations was considered for Table 4, "Consolidated Fund - Payments in Detail", as this table constitutes the bulk of the Public Accounts. These alternatives are listed below and the impact on the size of the Public Accounts if each were adopted, noted.

4.5 ALTERNATIVE A

LIST PAYMENTS WITHIN MINISTERIAL HEADINGS ONLY

Under this proposal less payment headings would be reported on than are set out in the Annual Appropriation Act.

Effect on Size of Published Public Accounts

This statement would extend over a maximum of two (2) pages.

4.6 ALTERNATIVE B

LIST PAYMENTS BY ORGANISATIONAL UNIT (DEPARTMENT) WITHIN MINISTERIAL HEADINGS

Recurrent Payments would be reported on under the same payment headings as are in the Annual Appropriation Act.

Effect on Size of Published Public Accounts

Assuming that a separate page is required for each Ministerial portfolio, this Consolidated Fund payments statement would be twenty-one (21) pages in length. (Based on the size of the current Ministry.)

4.7 ALTERNATIVE C

LIST PAYMENTS BY PROGRAM/PROGRAM AREA/ORGANISATIONAL UNIT WITHIN MINISTERIAL HEADINGS

Effect on Size of Published Public Accounts

In this form the Consolidated Fund payments statement would extend to seventy-two (72) pages. (Based on the format of the 1985/86 Program Budget document.)

This would be in addition to the twenty-one pages required for Alternative B.

4.8 ALTERNATIVE D

LIST PAYMENTS BY PROGRAM COSTS (Abbreviated Line Item)/PROGRAM/PROGRAM AREA/ORGANISATIONAL UNIT WITHIN MINISTERIAL HEADINGS

Effect on Size of Published Public Accounts

If this alternative were adopted, the Consolidated Fund payments statement would spread out over a maximum of four hundred and eighteen (418) pages if separate pages were required for each program. (Based on the format of the

1985/86 Program Budget document.) The number of pages is reduced by approximately 50% to two hundred and nine (209) pages by printing the program costs of more than one program on each page and eliminating non-financial information. Such was the case with the 1984/85 Public Accounts.

This would be in addition to the ninety-three pages required for Alternatives B and C.

COMMENT ON ALTERNATIVES

- 4.9 The Committee considers that Alternative B is to be preferred. The statement extends over only twenty-one pages and includes the most important summary information, that is payments in respect of each department. Payments by program and line item would not be shown but this information would be available in the Budget Papers. The Public Accounts could include a note that line item payment details are set out in the Budget Papers.

The Committee noted that if statements, detailing payments made from the Consolidated Fund, were to be continued in their current format, (Alternative D), Table 4: "Consolidated Fund - Payments in Detail", would increase from its former size of one hundred and fifty-five (155) pages in the 1983/84 Public Accounts (the year prior to the implementation of Program Budgeting) to some three hundred (300) pages in 1986/87, when program budgeting is to be fully implemented. The Auditor-General's Report would expand into a three volume publication resulting in significant increases in printing and checking costs.

- 4.10 The comment made in 1979 by the previous Public Accounts Review Committee that "budget papers were generally used when reference was being made to receipt or payment items of

the year past" is still valid. Possibly the only substantial use of the published Public Accounts is by the Australian Statistician, the Commonwealth Grants Commission and the Public Accounts Committee. In essence, the Budget Papers are used as the reference document for the previous year's payment details in the Public Accounts. With such a high reliance being placed on the Budget Papers for both current years estimate details and the previous years results (actual compared with estimates) of the Consolidated Fund, it is essential that the Parliament be assured of the accuracy of the information they provide. To this end it is suggested that following the tabling of the Budget the Auditor-General provide a certificate attesting to the accuracy of the detailed years payment information provided in respect of the previous year.

An audit report (including a one page certificate) is prepared in relation to the Public Accounts pursuant to Section 51(1) of the Public Finance and Audit Act. A similar certificate could be prepared in relation to the Budget Papers, but be limited to the results of the previous year. The work involved in checking the Budget Papers will have already been undertaken during the verification of the Public Accounts and departmental Annual Reports.

- 4.11 The problem referred to by the previous Committee that "changes in Ministry during the year or after the close of the financial year may result in expenditure being included under Ministerial headings different from the past year's appropriation" has lessened. When such transfers occur within the reporting financial year the Public Accounts now mirror the Budget Papers in showing the full year's payments of any transferred department, function etc under the Minister with whom final responsibility for the department, function, etc rests. (See Section 24, Public Finance and Audit Act, 1983.) The question of possible changes in Ministerial portfolios occurring after 1st July is addressed in paragraph 4.13.

With annual reporting requirements applying to departments for 1985/86, departments will be including in their annual financial statements, audited appropriation detail at the departmental, program and line item level.

- 4.12 The recommended Alternative B, raises one particular problem relating to the date of budget presentation. The Public Accounts must be laid before Parliament by 30th September each year. Where the Budget has also been tabled, the Parliament will have access to full expenditure information, that is it can refer to the Public Accounts and/or the Budget Estimates. Where however the Budget has not been tabled, Parliament would not have access to payments information down to the program and line item levels as only total organisational unit payments information would be available in the Public Accounts. To overcome this problem it is suggested that where it appears that the Budget will not be tabled within fourteen (14) of the tabling of the Auditor-General's Report arrangements are to be made by the Treasury, to have detailed payments information made available to each Member of Parliament. In considering the time constraints involved in such exercise, it is suggested that pages from the Budget Estimates, which are awaiting tabling, be suitably edited and forwarded to the Government Printer in order to produce a "Supplement to the Public Accounts". This document would then be tabled in the Parliament or, in the event that Parliament was not sitting, transmitted to the Clerk of the Legislative Assembly for distribution to Members.

It is intended that this document would serve as an interim measure only and would be replaced by the Budget Estimates as soon as these were available.

Treasury would still need to receive from departments, detailed line item information by program in order to " prepare statements under Section 22 of the Public Finance and Audit Act and in respect of the Treasurer's Advance Account. Treasury would therefore be able to provide detailed information on any program, or any line item within a program.

- 4.13 Although the Committee was not aware of any occasion when a change in Ministerial portfolios occurred during the period between 1st July and the presentation of the Budget to Parliament, the implications of such a change were examined. In this event the Public Accounts would be presented to Parliament showing one grouping of Ministerial organisational units while the Budget would show a different grouping. The budget payment details would, in this case, not correspond with the details (unpublished) supporting the summarised Public Accounts payments headings. To account for this apparent discrepancy between the Public Accounts and the Budget Estimates it is suggested that the impact of any changes in Ministerial portfolios occurring after 30th June be appropriately notated in the Budget Papers.
- 4.14 In summary, the Committee agreed that Alternative B, i.e. listing payments by organisational unit (department) within Ministerial headings, would be the most suitable approach to rationalising the present Consolidated Fund payments statement. For this alternative to be adopted it would be necessary to change the Public Finance and Audit Act so as to allow this abbreviated presentation. Section 6(1)(d) of the Act currently provides for the preparation of a statement showing "Consolidated Fund payments in detail for that year". The words "in detail" would need to be replaced by the words "by organisational unit".

4.15 Table 5 : "Consolidated Fund Statement of Payments from Group Votes"

This table is repeated in the Budget Papers and the Committee felt that there was no real need for its duplication in the Public Accounts. The Treasurer could request that the statement appearing in the Budget papers be checked by the Auditor-General.

4.16 Table 6 : "Loan Liability to the Commonwealth and Annual Interest Liability Variation during the Year"

Table 7 : "Loan Liability to the Commonwealth as at 30th June according to Maturity Dates"

Table 8 : "National Debt Sinking Fund - Receipts and Payments on Account of New South Wales"

Table 9 : "Distribution between Departmental Services and Business Undertakings, etc of Net Loan Liability and Debt Charges Paid"

Table 10 : "Indebtedness to the Commonwealth Outside the Financial Agreement"

Table 11 : "Advances Repayable to the State from External Sources"

Table 12 : "Special Deposits Account - Statement of Receipts and Payments in the Year"

Table 13 : "Borrowings Guaranteed by the State"

The Committee reviewed each of the above Tables 6 to 13 and no changes are proposed. It should be noted that Table 12 was the subject of a separate review by Treasury officers in

4.17 Table 14 : "Consolidated Fund- Results for the Last Five Years"

Table 15 : "Consolidated Fund - Taxation, Five Year Summary"

The Committee was informed that these tables are regularly referred to by Ministerial policy advisers and that they would be more useful if they were to cover a ten year period. The Committee saw no difficulties in producing ten year tables but noted that the Economics and Loans Branch of the Treasury would be required to undertake research in order to complete the footnotes concerning tax changes in earlier years.

4.18 Table 16 : "Loan Liability to the Commonwealth Five Year Summary"

To conform with proposals for Tables 14 and 15, the Committee considered that this table should also incorporate figures covering ten years.

4.19 Table 17 : "Special Deposits Account - Authorisation for and Purpose of each Account"

The Committee reviewed this table and no change is proposed.

4.20 Index

The Committee was informed that confusion arose on occasions when the Index to the Public Accounts was mistaken by readers as also being the Index of the Auditor-General's Report. The Committee proposed that the Index be clearly marked "Index to the Treasurer's Public Accounts".