Date Introduced: 2 May 1984
House: House of Representatives
Presented by: Hon. J.S. Dawkins, M.P., Minister for Finance

Purpose

The Government proposes that, in future, certain expenditures allocated in Appropriation Bills, which now appear separately as line items, be consolidated so that they will be shown at a sub-division level only. The main purpose of this Bill is to give effect to this proposal which is designed to give greater flexibility to the use of funds allocated to the sub-division. A secondary purpose of the Bill is to make a number of minor amendments to the Audit Act 1901 relating to the appointment of the Auditor-General, act of grace payments, audit fees, and other matters.

Background

The Audit Act is a statute which regulates transfers, receipts and payments of public moneys, including both loan and trust funds.

The Government's annual Budget details anticipated government expenditures. Appropriations for these purposes are allocated by Appropriation Bills. The flexibility necessary to cater for expenditures not included in appropriations, is obtained through Advances to the Minister for Finance (s.36A of the Audit Act 1901). For expenditure statutorily appropriated to a particular item of a particular subdivision, section 37 permits the transfer of surplus funds from one item to another by order of the Governor-General.

The Bill proposes that appropriations may be specific to a particular subdivision, but no longer to the level of detail of items within the subdivision. A breakdown by item may be specified in a directive from the Minister of Finance. Itemisation thus specified is to have the same effect as the statutory provisions in the Audit Act 1901 applying to appropriation items, except that the
itemisation may be varied by Ministerial direction rather than by order of the Governor-General.

The Second Reading Speech mentions salaries and administrative expenses as expenditures most appropriate to the new arrangements.

The classification of projected expenditure frequently on the basis of the nature of the recipient (e.g. wages, consulting services), is typical of traditional 'line-item' budgeting. An alternative classification, based on the purpose of the disbursement, is more suited to showing the cost of the various aims or programs pursued by the budgeting agency. In this respect, the lesser level of detail to be provided in Schedule II to the Appropriation Bills is counteracted by the issue of estimates of appropriations and outlays, presented on a program basis[1]. The 1983-84 program presentation format is to be subject to further development and refinement[2]. The program document replaces the Departmental Estimates for Functional Classification of Outlays published after the Budget in each year since 1980.

The Royal Commission on Australian Government Administration in 1976 was interested in "experiments for the development of objectives as a tool of management" and anticipated that establishment of objectives for the "constituent working units" of a department or agency would enable some such units to express their objectives as targets in quantitative form. In respect of administrative costs, the Commission noted evidence suggesting that the "broad annual costs of administration in Commonwealth government may have grown appreciably as a proportion of the national income since the 1960s"[3].

The House of Representatives Standing Committee on Expenditure in its 1979 Report on Parliament and Public Expenditure considered program statements of greater significance than conventional line-item budgets because of the proliferation of assistance programs involving substantial transfer payments to the traditional administrative functions of government departments[4].

The committee of Review of Commonwealth Administration, chaired by Mr J.B. Reid, referred to State government systems for presenting budgetary information on a program basis but was not aware of appropriations being made on a program basis[5]. The committee noted the Commonwealth's progressive development of program statements in selected areas, and favoured appropriations in 1983-84 for administrative expenses to comprise only two items, namely, salaries and other administrative expenses[6].
Amendments in the Bill to section 34A of the Audit Act 1901 would enable recovery of act of grace payments made in circumstances where a later, retrospective entitlement to benefit is enacted to cover the same ground.

Main Provisions

Clauses 4 to 6 and 15 of the Bill, operative from the date of Royal Assent, alter personnel arrangements relating to the Auditor-General, including leave of absences, termination of appointment by resignation, absence or physical or mental incapacity, provision for appointment of an acting Auditor-General, and deletion of the requirement to make a declaration upon assuming office.

Clauses 7 to 14 apply from 1 July 1984. Clause 8 adds sections 29 and 30 to the Audit Act 1901 for Ministerial directions to specify or to vary a notional itemisation where a Schedule to an Appropriation Act makes only a subdivisional appropriation.

Clause 9 amends section 34A to permit attachment of conditions to act of grace payments under the section. The limits of act of grace payments, before approval of a special Committee is required, are doubled to $50,000 or $10,000 in any year.

Clauses 10 to 12 extend the term "approved bank" to include banks certified as such by the Treasurer.

Section 63P is amended by clause 13 for payment of fees for audit to the Commonwealth by a government, public authority, or other body.

For further information, if required, contact:

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References


