

Did you know?

The budget documents have changed

Parliament's financial watchdog – the Joint Committee of Public Accounts and Audit – is reviewing the format and content of the current budget documentation. This follows changes brought about by the switch to 'accrual accounting'.

Until recently the Commonwealth Government operated on a cash accounting basis. The Parliament provided cash to departments and the departments reported on how this cash was spent. There were problems with this system because no account was taken of departmental assets being managed by the agencies (e.g. equipment, and money owed to the organisation) or their liabilities (e.g. leave and superannuation entitlements, the need to replace equipment, and money owed by the organisation).

In 1995 the Joint Committee of Public Accounts argued for the introduction of an accounting system which takes account of these assets and liabilities. The Federal Government agreed and now operates under what is called an 'accrual accounting' system. This accrual system has been used by the private sector for hundreds of years. Cash and cash flow statements remain an important aspect of accrual accounting, but they are just one component of the accounts.

With the change to the system, the framework for the documents also changed, beginning in the financial year 1999-2000. No longer do departments specify the amount of cash going to particular programs, but instead they concentrate on the 'outcomes' of their activities and the various 'outputs' which

achieve those outcomes. They refer to the 'price' of particular outputs and report against various 'performance measures'.

Since the change was introduced concerns have been expressed by some Members of Parliament about the ability of the Parliament to undertake effective scrutiny of the Government's activities as performed by its departments and agencies.

The Public Accounts and Audit Committee has therefore decided to undertake an inquiry into the matter and is focusing on:

- the structure of the accrual budget documentation and the continuity of information throughout the budgetary cycle;
- the level of detail provided in the accrual budget documentation; and
- the explanations provided for the content and variation of information within the accrual budget documentation.

The Committee conducted a roundtable public hearing on Friday 22 June in Parliament House. You can read the Hansard of the roundtable and track the progress of the inquiry by visiting the Committee's web site at:
www.aph.gov.au/house/committee/jpaa/accrualbudget/inqinde2.htm

Keeping track of the dollars

Under the Constitution, the Government may only spend money which has been approved by the Parliament. The Government's request to Parliament for money for the following year is made known at Budget time and is contained in the Budget papers and associated Appropriation Bills. The details of how each department and government agency would spend the money provided by Parliament are in the Portfolio Budget Statements (PBSs) which are released at the same time.

Sometimes departments and agencies require additional funds. This is provided for by additional Appropriation Bills, with the details of proposed changes to expenditure documented in the Portfolio Additional Estimates Statements (PAESs). Eventually, at the end of the financial year there is an accounting – the performance of the various departments and agencies during the year is reported to Parliament in the various departmental and agency annual reports.

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