

## GOVERNMENT RESPONSE TO THE STANDING COMMITTEE ON ESTIMATES AND FINANCIAL OPERATIONS REPORT 89: CONSIDERATION OF THE 2021-22 ANNUAL REPORTS

**Recommendation 1:** The Treasurer direct the Department of Treasury to amend *Treasurer's Instruction 945: Explanatory Statement* to require accountable authorities to disclose the source of annual estimates that are stated in annual reports.

### Supported in-principle

Rather than amending Treasurer's instruction (TI) 945 *Explanatory Statement*, the Department of Treasury (Treasury) will address the recommendation by including relevant guidance for agencies in its Financial Administration Bookcase.

**Recommendation 2:** The Treasurer direct the Department of Treasury to amend *Treasurer's Instruction 945: Explanatory Statement* to require accountable authorities to disclose whether and why an annual estimate published in the annual report differs from the previously published estimate.

### Not supported

The Budget Paper No. 2 presentation is broadly consistent with the Uniform Presentation Framework agreed at the May 1991 Premiers' Conference and subsequently revised by agreement at the Council on Federal Financial Relations in February 2019. The format standardises presentation of diverse agencies in the Budget Papers, which drives improved budgetary comparability and publication efficiencies.

By contrast, AASB 101: *Presentation of Financial Statements*, TI 1102: *Statements of Comprehensive Income* and TI 1103: *Statements of Financial Position* require a greater disaggregation of an individual agency's transactions and balances.

The Australian Accounting Standards Board (AASB) recognised the contrasting objectives of State Budget presentation and agency financial reporting when drafting AASB 1055: *Budgetary Reporting*. Accordingly, the AASB explicitly permits the remeasurement/restatement of annual estimates to align with the presentation required for financial statements. These remeasured/restated estimates are reviewed by the Office of the Auditor General when confirming compliance with AASB 1055.

**Recommendation 3:** The Minister for Environment; Climate Action, as the coordinating Minister for the Department of Biodiversity, Conservation and Attractions, direct the Department to ensure that the summary of Consolidated Account appropriations in its annual report complies with the Department of Treasury's guidelines.

### Noted

In its 2021-22 financial statements, the Department of Biodiversity, Conservation and Attractions misstated the appropriations disclosed in its 'Summary of consolidated account appropriations'. This appears to have been an isolated error that went undetected, and it is anticipated that the Department will prepare the correct disclosure in future.

In the meantime, Treasury will clarify its guidance to minimise the recurrence of such errors. Treasury will also consider what enhancements can be made to the disclosure to make it easier for readers of the financial statements to compare budgeted and actual appropriations for departments, like the Department of Biodiversity, Conservation and Attractions, which receive appropriations on behalf of statutory authorities.

**Recommendation 4: The Minister for Housing; Homelessness, as the coordinating Minister for the Department of Communities, direct the Department to ensure that the summary of Consolidated Account appropriations in its annual report complies with the Department of Treasury's guidelines.**

#### **Noted**

In its 2021-22 financial statements, the Department of Communities incorrectly classified its supplementary appropriations in its 'Summary of consolidated account appropriations'. This appears to have been an isolated error that went undetected, and it is anticipated that the Department will prepare the correct disclosure in future.

In the meantime, Treasury will clarify its guidance to minimise the recurrence of such errors.

**Recommendation 5: The Treasurer consider amending the alternate tabling provisions in the *Financial Management Act 2006***

#### **Noted**

An amendment to section 83 of the FMA is not a current legislative priority for the Government.

Section 65 of the FMA which enables a Minister to inform Parliament if an annual report cannot be laid before each House of Parliament prior to 28 September or dealt with under section 83 is a viable alternative mechanism which worked effectively for a number of agencies in terms of their 2021-22 annual reporting and, as stated previously by the Committee, does not adversely affect the Committee's consideration of agencies' annual reports.

**Recommendation 6: Ministers responsible for agencies listed in Appendix 2 should table errata in the Parliament as soon as possible.**

#### **Noted**

Necessary corrections to an agency's annual report will be made as required.

**Recommendation 7: The Treasurer direct the Department of Treasury to remind accountable authorities that statements of compliance should be prepared and properly dated.**

#### **Supported**

Treasury will write to accountable authorities reminding them about the requirements of TI 902: *Statement of Compliance*.

**Recommendation 8: The Treasurer direct the Department of Treasury to examine the best method to indicate clearly in an annual report whether a key performance target has been met. Once that method has been determined, it should be incorporated into the Model Annual Reports contained in the Financial Administration Bookcase.**

**Noted**

Treasury will review the guidance to agencies with respect to KPI presentation.

**Recommendation 9: The Treasurer and the Minister for Energy; Corrective Services notify the Parliament and Auditor General of their decisions to not provide certain information to the Committee.**

**Noted**