

**FINANCIAL ADMINISTRATION AND AUDIT  
AMENDMENT BILL 1999**

**EXPLANATORY MEMORANDUM**

## OUTLINE

The principal purpose of this Bill is to amend the Financial Administration and Audit Act to allow for the implementation of accrual appropriations and a capital user charge. The Bill also contains an amendment to facilitate e-commerce.

The present appropriation framework is focused exclusively on cash. This appropriation regime has provided a satisfactory means to control and manage cash payments. However it is inadequate as a basis for properly managing the full cost of service delivery.

Accrual appropriations represent the final support in a structure that encompasses output based management and accrual accounting. This will enable agencies to align all their financial management processes - planning, resourcing, monitoring and reporting on a consistent basis.

Clause 4 of the Bill makes possible the proposed introduction of accrual appropriations for the 2000-01 budget, by providing a mechanism to allow the transfer of amounts required to meet commitments incurred in the delivery of the services of a year to suspense accounts created under section 27(1).

The transfer will enable these commitments to be met in future years, as and when those commitments fall due for payment (funds would not otherwise be available as appropriations lapse at year end).

Clause 7 of the Bill enables the introduction of a capital user charge.

A capital user charge is a charge on capital employed by public sector agencies, levied by central government on agencies. The Government of Western Australia, and therefore the taxpayer, has an investment in excess of \$20 billion in the net assets of government departments.

A capital user charge brings the cost of capital employed into focus. It is a complementary reform to accrual appropriations that will significantly enhance asset investment and balance sheet management practices in government.

Accordingly, it is proposed to implement the capital user charge simultaneously with accrual appropriations.

These proposed reforms are about improved financial management, as well as good government. They are essential to deliver on the Government's commitment to building a high performing and responsive public sector, which operates in a more business-like way. The adoption of the reforms will, over time, contribute to improved financial outcomes by improving financial management.

Finally, clauses 5 and 6 of this Bill provide for government e-commerce by allowing direct debiting arrangements and removing a barrier existing in the act, which has been interpreted as requiring physical certification of payments on paper. The amendment contained in clause 6 provides for electronic certification to be accommodated in the Treasurer's Instructions.

## CLAUSE NOTES

### Clause 1 : Short title

Short title.

### Clause 2 : Commencement

Provides for this Act to come into operation on the day on which it receives the Royal Assent.

### Clause 3 : The Act Amended

Self explanatory.

### Clause 4 : Section 27 amended

The amendment to section 27(1) makes possible the introduction of accrual appropriations by providing a power to the Treasurer to transfer funds from an appropriation to a suspense account.

Under the amended section, the Treasurer may direct that transfers may be made to the extent necessary to meet any relevant commitment. The intention is for funds to be transferred to allow for commitments incurred in the delivery of the services for a year to be met in future years, as and when those commitments fall due and payable (funds would not otherwise be available as appropriations lapse at year end). In other words, the amendment provides for the transfer of the "accrued" component of appropriations to suspense accounts established under section 27(1).

### Clause 5 : Section 33 amended

Section 33 is amended by the insertion of paragraph (1c), which provides authority for making arrangements for recurring payments to be directly debited to bank accounts.

### Clause 6 : Section 58 amended

Section 58(2)(k) is amended by the insertion of paragraph (ka), which provides for certification or authentication by electronic means.

**Clause 7 : Section 58D inserted**

Section 58D is inserted for the purposes of enabling a charge to be levied by the Treasurer on the net assets of an agency.

- (1) Contains the definition of net assets required for the purposes of the section.
- (2) Provides the Treasurer with the power to issue a direction in writing to an Accountable Officer of a department to pay to the Treasurer a levy in respect of the net assets of a department.
- (3) Provides the Treasurer with the power to issue a direction in writing to an Accountable Authority to pay to the Treasurer a levy in respect of the net assets of a statutory authority.
- (4) Provides the Treasurer with the power to amend or revoke directions given under the section.
- (5) Statutory authorities and departments created under their own enabling legislation may have legislated provisions limiting the purposes to which monies may be applied from their operating accounts. The purpose of sub-clause (5) is to provide the authority, where necessary, to Accountable Officers and Accountable Authorities to pay the charge.
- (6) Extends the charge to apply to entities that form part of a department.
- (7) This sub-clause makes clear that section 58D will not limit or affect any other power of the Treasurer or another Minister to give directions to Accountable Officers and Accountable Authorities.