

2004

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

FINANCIAL MANAGEMENT AMENDMENT BILL 2004

EXPLANATORY STATEMENT

Circulated by the authority of the Treasurer

Ted Quinlan MLA

Financial Management Amendment Bill 2004

Outline

The *Financial Management Act 1996* (the Act) provides the regulatory framework for the Territory's fiscal operations. It is therefore important to ensure that the Act helps to provide a fundamentally sound financial management framework within which the Territory can operate and that the obligations imposed by the Act are clear and unambiguous.

The object of this Bill is to propose a number of amendments to the Act designed to ensure that it remains strong and effective in regulating the conduct of the Territory's fiscal operations. This Bill reflects the continuing need to pursue optimal procedural and legislative standards.

The Bill provides for changes to be made to Amended Budgets. The amendments simplify and streamline the amended budget process by extending the amended budget concept to include all approved appropriation changes. It also reduces the prescription within the Act by removing the requirement for the Treasurer to specify totals lines when amending budgets, as this will now be specified in the Financial Management Guidelines.

Details of the Financial Management Amendment Bill 2004

Formal Clauses

Clauses 1, 2 and 3 are formal requirements. They refer to the name of the Act, the commencement date of the Act and declare that it is the *Financial Management Act 1996* which is being amended by this Act.

Clause 4 proposes the omission of section 16A.

The current requirements of section 16A do not encompass all Budget amendments and are overly prescriptive. Provision has been made to omit section 16A, as this will be replaced by section 19F.

The omission of section 16A, and the insertion of 19F (see clause 5) will result in placing the amended budget provision in the same area of the Act as section 19D, the amendment of performance criteria section.

Clause 5 proposes the insertion of section 19F.

To enable the simplification regarding the structure of budget amendments provisions in the Act, this clause proposes that section 19F be inserted into the Act to replace section 16A. (Clause 4 proposes that the current section 16A be omitted.)

The purpose of section 16A was to allow for the amendment of departmental budgets when an administrative arrangement order (AAO) occurred. The amendment required the Treasurer to sign off on a summary-level amended budget for any affected departments. The amendment formalised a mechanism for amending budgets, while not overburdening the Treasurer with administrative paperwork.

The intent of section 19F will be identical to section 16A except that it will be expanded to cover all appropriation changes (that is, section 14 to section 19B inclusive). Note that section 19F excludes supplementary appropriations as they are covered by section 13A (under the Act a budget may also be amended for supplementary appropriation).

Such an amendment would simplify financial reporting and remove the inconsistencies that currently exist, whilst providing the best budget comparative information to aid readers of annual financial statements.

Where there is a change in appropriation, it is not a requirement that the details of the budget be amended within 3 sitting days. Section 19(F) allows the budget to be amended at the time the appropriation is varied, or at a later time. This will allow time for the preparation of amended budgets for complex appropriation changes. The amended budget may show the effect of only one, or the combined effect of several appropriation changes. Simple amendments may be included in the instrument that amends the appropriation.

In addition, the current section 16A is very prescriptive in that it specifies all the significant total lines that the Treasurer must amend. It is proposed to omit this detail in the new section 19F and include it in the Financial Management Guidelines.

End