

**2004**

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

**FINANCIAL MANAGEMENT AMENDMENT BILL 2004 (NO. 2)**

**EXPLANATORY STATEMENT**

Circulated by the authority of the Treasurer

Ted Quinlan MLA

## Financial Management Amendment Bill 2004 (No. 2)

### 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 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 the Treasurer's Advance provisions in section 18. The amendments strengthen the Treasurer's Advance provisions within the Act by:

- restricting use of the Treasurer's Advance to urgent expenditure;
- clarifying the term 'expenditure'; and
- improving the timeliness for reporting Treasurer's Advance approvals.

## **Details of the Financial Management Amendment Bill 2004 (No. 2)**

### **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.

**Clause 4** proposes amendment to section 18, and the insertion of section 18A.

The proposed s18 (2)(a)(i) has the effect of amending the Treasurer's Advance provisions to allow the Treasurer to authorise appropriation from Treasurer's Advance, if the Treasurer is satisfied that there is an urgent need for the expenditure. The new s18 (4) allows for the Financial Management Guidelines to prescribe when there is an urgent need for expenditure. This allows specification of circumstances where the Treasurer may be satisfied that there is an urgent need for the expenditure.

In addition to the urgency requirement, the amendments have the effect that the Treasurer must also be satisfied that the expenditure is not provided for, or is insufficiently provided for, because of a prescribed circumstance. This means the expenditure has not been provided for, or not enough expenditure has been provided in an Appropriation Act.

The prescribed circumstances are listed in the proposed amendments to s18 (5). The prescribed circumstances are where there was an erroneous omission or understatement in an appropriation, or where the expenditure was unforeseen until after the last day when it was practicable to provide for it in the first Appropriation Bill relating to the financial year. This means that, if the appropriation was not provided due to error, or if the amount of expenditure was underestimated, then Treasurer's Advance can be authorised to provide for it. Also, if the need for the expenditure was only foreseen after the preparation of the first Appropriation Bill, then Treasurer's Advance can be authorised to provide for the expenditure.

The proposed ss18 (2)(b) and 18 (3) remain the same as the current provisions of the *Financial Management Act 1996*.

The proposed s18 (5) defines expenditure for the purposes of the Treasurer's Advance provisions to mean making payments or entering into a contract to make payments for output delivery, or payments on behalf of the Territory, for goods, services, grants, subsidies or from capital injections. This will include expenditure on wages and salaries. The intention of this definition is to restrict the use of Treasurer's Advance to payments for output delivery or payments on behalf of the Territory, as opposed to simply transferring cash to other departments or Territory authorities.

Therefore, Treasurer's Advance can only be used where the Territory makes payments within the financial year or has a firm commitment in place to make such payments. The intention will be to include any expenditure that is covered by new or existing contracts or other non-cancellable obligations, but not to include expenditure that does not have such a firm commitment in place.

The proposed s18A improves the timeliness for reporting Treasurer's Advance approvals to the Legislative Assembly. It requires that, every time an authorisation for Treasurer's Advance is issued, a copy of the authorisation, plus the reasons for making it, must be tabled in the Legislative Assembly within three sitting days. Along with the authorisation, the Treasurer must also table a summary of the total expenditure made under s18 for the financial year to date. This will allow the Legislative Assembly to see how much has been committed from the Treasurer's Advance, and how much is remaining for the rest of the financial year.

In addition to this reporting requirement, the Treasurer will be required to table a summary of all Treasurer's Advance authorisations issued for the full financial year, within three sitting days of the end of the financial year. This will allow the Legislative Assembly to scrutinise all payments made from Treasurer's Advance after the end of each financial year.

**Clause 5** corrects referencing to section 18 within section 19F.

**End**