

22 May 2013

Mr Robert Oakeshott MP
Chair
Joint Committee of Public Accounts and Audit
Parliament House
CANBERRA ACT 2600

Dear Mr Oakeshott

Thank you for the opportunity to make a submission to the Committee's inquiry into the Public Governance, Performance and Accountability Bill.

Commonwealth's financial management framework

The Public Governance, Performance and Accountability Bill is intended to provide the legislative underpinnings of the reforms to the Commonwealth's financial management framework being undertaken through the Commonwealth Financial Accountability Review (CFAR).

There are few Commonwealth laws that have such broad application. When enacted, the Public Governance, Performance and Accountability Bill will regulate the governance, performance and accountability of over 250 Commonwealth entities and companies and the way that over a quarter of a million Commonwealth 'officials' and Ministers meet their responsibilities in using and managing public resources. Collectively, these entities manage and account for revenue and expenses of over \$350 billion, assets of over \$390 billion, and liabilities of over \$640 billion.¹

Complexity in the Bill remains, due to the nature of Commonwealth entities and the business of government, but also because of the proposed shift from two specialised pieces of legislation to a new framework that is required to cater for entities of different legal character – that is, entities that are part of the Commonwealth and the executive government, and other legally distinct entities such as many statutory authorities and companies.

The ANAO considers that a review of the financial management framework is timely, noting that the existing Acts have been in place for approximately 15 years, with much of the drafting of these Acts having been done nearly 20 years ago. At the same time, it is prudent to subject the proposed replacement legislation to broadly based scrutiny given the extent

¹ Commonwealth of Australia Consolidated Financial Statements for the year ended 30 June 2012, pp.27-28.

of the changes in the legislative basis for the Commonwealth's financial management framework that are proposed.

The ANAO supports the broad aims of CFAR, while noting that the existing framework remains sound, and replacing the FMA and CAC Acts with a single Act will involve substantial consequential amendments to other legislation, and the preparation of an extensive body of rules to enable the single Act to operate in the manner intended. It will also require the revision of existing entity documentation and a broad-ranging education process.

Anticipated benefits of reform

The Explanatory Memorandum to the Bill indicates that the reforms are based on four guiding principles:

- government should operate as a coherent whole;
- public resources are public resources, and a common set of duties should apply to all resources handled by Commonwealth entities;
- performance of the public sector is more than financial; and
- engaging with risk is a necessary step in improving performance.

The Explanatory Memorandum also indicates that the integrated package of reforms, which includes the Public Governance, Performance and Accountability Bill, is expected to deliver lasting benefits including:

- improved quality of information to Parliament to support its constitutional role in relation to Commonwealth expenditure;
- a more mature approach to risk across the Commonwealth;
- improved productivity and performance of the public sector with benefits for a broad range of stakeholders; and
- reduced red tape within government and for partners who contribute to the delivery of Australian government programs and services, including grant recipients.

While the Explanatory Memorandum draws on the broader reform agenda, it is important to recognise that the legislation does not deal with all of the reform measures. As indicated in the Explanatory Memorandum, the Public Governance, Performance and Accountability Bill is the cornerstone of a broad package of reforms to the Commonwealth's financial management framework. In the light of the Committee's inquiry on the Bill, this is our primary focus in this submission.

The Public Governance, Performance and Accountability Bill 2013

As the Committee will appreciate, the Commonwealth's financial management framework is fundamental to the lawful, efficient, effective, and ethical operation of all Australian Government entities and their staff. The framework also establishes an accountability regime for the Commonwealth and all Commonwealth bodies so that the Parliament and the community have sufficient and timely information on the performance of Commonwealth entities and wholly-owned companies.

The ANAO considers the Public Governance, Performance and Accountability Bill incorporates the essential elements of a legislative financial management framework for Commonwealth bodies.

Positively, the Bill includes provisions that:

- reflect the principle that the Commonwealth should operate as a coherent whole while taking into account specific legislative regimes, to the extent possible, while also making allowance for bodies corporate and other legislation applicable to particular entities;
- place similar obligations, to the extent possible, on all accountable authorities and officials, irrespective of the legal status of the entity for which they are responsible or a part of; and
- outlines the responsibilities of accountable authorities for the key elements of the resource management cycle: planning, budgeting, performance and accountability.

The inclusion in the Bill of provisions dealing with the obligation of accountable authorities to measure, assess, and report on performance is strongly supported. Both the Committee and the ANAO have previously highlighted shortcomings in the performance framework and its implementation by government entities, prompting consideration of the need for an increased focus in this area. A strong ongoing commitment to developing and implementing an appropriate performance framework that underpins these provisions will be essential if the intended benefits are to be realised.

The ANAO also supports the enhancements made to the provisions relating to the preparation of both entity financial statements and the Consolidated Financial Statements.

However, the ANAO considers that the Bill provides less obvious support for achieving reforms in other areas, particularly in the areas of joined-up government (to better accommodate the concepts of collective responsibility and multiple accountabilities), and reducing red tape, including the compliance burden. In this latter respect, it is noteworthy that one of the key features of the Bill is that a range of duties are imposed on both accountable authorities and officials. For accountable authorities and officials, many of these, while not unreasonable, are additional to existing obligations reflected in the FMA and CAC Acts.

As mentioned earlier, the Public Governance, Performance and Accountability Bill provides the legislative underpinning to the reforms and proposes changes to a range of fundamental concepts and principles, some of which have existed in legislation for many years. The ANAO considers that the short timeframe in which the Bill has been prepared, and the fact that entities and other stakeholders have had little opportunity to provide comments on the Bill as tabled in the Parliament last Thursday (16 May 2013), increases the risk that the Bill may not adequately address the complexities involved in the governance and financial management of the Commonwealth as a whole, and individual entities.

Further, many of the provisions of the Bill rely on the making of rules to operate effectively. While it is appreciated that the legislation will necessarily be augmented and supported by subsidiary legislation, currently there is no visibility around the content of the rules that will need to be drafted prior to the proposed date of proclamation of the Bill. In particular, we note that the rules relating to performance and earned autonomy will require extensive consultation. We also note the intention for the Joint Committee of Public Accounts and Audit to approve the rules (see paragraph 71 of the Explanatory Memorandum).


It will also be important that adequate resources and priority be given to the implementation phase of these reforms by all Commonwealth entities and companies.

As noted earlier, the Bill incorporates a number of important concepts and principles that have implications for a large number of entities, those that are responsible for governing these entities, and the officials of entities. The ANAO's comments on the Bill are made drawing from our external audit responsibilities and therefore do not attempt to reflect the perspectives of other key stakeholders such as chief executives and directors. The ANAO is also not in a position to comment on the legal integrity of the Bill.

The Attachment outlines comments on a number of provisions of the Bill. We consider that these issues can be addressed through further consultation well prior to 1 July 2014, the proposed date of effect of the legislation. In order to assist the inquiry, we have discussed a draft of the attachment to this submission with the Department of Finance and Deregulation.

I would be pleased to discuss the ANAO's submission with the Committee.

Yours sincerely



Ian McPhee
Auditor-General

ANAO comments on the Public Governance, Performance and Accountability Bill, and the accompanying Explanatory Memorandum

The following comments are provided on a number of provisions of the Public Governance, Performance and Accountability Bill, and the accompanying Explanatory Memorandum. Extracts of the Bill have been reproduced for ease of reference.

PROVISIONS OF THE PGP&A BILL

Objects

Clause 5: Objects of this Act

The objects of this Act are:

- (a) to establish a coherent system of governance and accountability across Commonwealth entities; and*
- (b) to establish a performance framework across Commonwealth entities; and*
- (c) to require the Commonwealth and Commonwealth entities:*
 - (i) to meet high standards of governance, performance and accountability; and*
 - (ii) to provide meaningful information to the Parliament and the public; and*
 - (iii) to use and manage public resources properly; and*
 - (iv) to work cooperatively with others to achieve common objectives, where practicable; and*
- (d) to require Commonwealth companies to meet high standards of accountability.*

The ANAO considers the Objects could benefit from some further review to:

- a) assess whether sub-clauses 5(a) and (b) might be better combined (e.g. to establish a coherent system of governance, performance assessment and measurement, and accountability across Commonwealth entities); and
- b) review whether it is reasonable for the Bill (at sub-clause 5(c)) to 'require' the Commonwealth and Commonwealth entities to meet high standards of governance, performance and accountability, as opposed to a duty, for example, to 'promote...' or 'pursue...'; and
- c) modify the construction of sub-clause 5(d) to better explain why Commonwealth companies are being treated differently (with a focus only on 'accountability') from the Commonwealth and Commonwealth entities (where the focus is on 'governance, performance and accountability'). This could be done, for example, through a note to this clause.

Any amendment of the Objects may have consequential effects on the terminology in other clauses of the Bill.

Definitions

Clause 8: Definitions

13 (2) *An official of a Commonwealth entity is an individual who is in, or forms part of, the entity.*

(3) *Without limiting subsection (2), an official:*

(a) *includes an individual who:*

- (i) *is, or is a member of, the accountable authority of the entity; or*
- (ii) *is an officer, employee or member of the entity; or*
- (iii) *is an individual, or an individual in a class, prescribed by the rules; and*

(b) *does not include an individual who:*

- (i) *is a Minister; or*
- (ii) *is a judge; or*
- (iii) *is a consultant or independent contractor of the entity (other than a consultant or independent contractor of a kind prescribed by the rules for the purposes of subparagraph (a)(iii)); or*
- (iv) *is an individual, or an individual in a class, prescribed by the rules.*

relevant money means:

- (a) *money standing to the credit of any bank account of the Commonwealth or a corporate Commonwealth entity; or*
- (b) *money that is held by the Commonwealth or a corporate Commonwealth entity.*

relevant property means:

- (a) *property (other than relevant money) that is owned or held by the Commonwealth or a corporate Commonwealth entity; or*
- (b) *any other thing prescribed by the rules.*

The concepts of public money and public property have long been a feature of the Commonwealth financial framework, with the concept of public money appearing in the original *Audit Act 1901* for core government entities. These well established expressions have an explanatory power signalling the public character of the money and property brought within the scope of the financial framework, which is lacking in their proposed replacements. While recognising that the Bill encompasses all Commonwealth entities, there would be benefit in defining both money and property in a manner that would signal the character of these resources and the care required in their management and use. We note that the expression 'public' continues to be used in the definition of 'public resources'² and one approach would be to continue with the expressions 'public money' and 'public property'. However, if the term 'public' is not favoured in the context of 'money' and 'property', consideration could be given to using the expression 'accountable money' and 'accountable property'. This would go some way towards giving meaning to these terms.

The Bill provides for the Rules to add or remove persons from the ambit of the Bill, by prescribing whether or not they are an 'official' (Clause 13(3)). The definition of an 'official' is a key aspect of the Bill, as it specifies which persons are subject to the financial framework, and which are not. As constructed, the Bill would enable specified persons, classes of persons or the entire workforce of an entity or entities to be removed from the scope of the framework through the Rules. While acknowledging that there may be

² Public resources is defined in Clause 8 of the Bill as 'relevant money, relevant property, or appropriations'.

situations where it is appropriate for the Rules to exclude particular individuals from being 'officials', the extent of the potential exclusions allowable is significant.

Clause 10: Commonwealth entities

(1) A Commonwealth entity is:

- (a) a Department of State; or
- (b) a Parliamentary Department; or
- (c) a listed entity; or
- (d) a body corporate established by a law of the Commonwealth.

Note: Paragraph (d) does not cover bodies corporate, such as Commonwealth companies, that are established under, but not by, a law of the Commonwealth.

(2) However, the High Court and the Future Fund Board of Guardians are not Commonwealth entities.

The ANAO notes the Bill proposes that the Future Fund Board of Guardians will not be a Commonwealth entity. This will require consequential amendments to the *Future Fund Act 2006* to preserve the Auditor-General's mandate in relation to the audit of the Future Fund Management Agency's annual financial statements. The consequential amendments should also clarify that the Auditor-General's financial statement mandate extends to any subsidiaries of the Future Fund Board of Guardians.

Duties of accountable authorities

Clauses 15, 17, and 21: General duties of accountable authorities, and Application of government policy

15 Duty to govern the Commonwealth entity

(1) The accountable authority of a Commonwealth entity must govern the entity in a way that:

- (a) promotes the proper use and management of public resources for which the authority is responsible; and
- (b) promotes the achievement of the purposes of the entity; and
- (c) promotes the financial sustainability of the entity.

Note: Section 21 (which is about the application of government policy) affects how this duty applies to accountable authorities of non-corporate Commonwealth entities.

(2) In making decisions for the purposes of subsection (1), the accountable authority must take into account the effect of those decisions on public resources generally.

17 Duty to encourage cooperation with others

The accountable authority of a Commonwealth entity must encourage officials of the entity to cooperate with others to achieve common objectives, where practicable.

21 Non-corporate Commonwealth entities

The accountable authority of a non-corporate Commonwealth entity must govern the entity in accordance with paragraph 15(1)(a) in a way that is not inconsistent with the policies of the Australian Government.

Note: Paragraph 15(1)(a) is about promoting the proper use and management of public resources for which the accountable authority is responsible.

The ANAO notes that clauses 15 and 21, taken together, require accountable authorities to govern their entities in a way that is not inconsistent with policies of the Australian Government. This is a broadening of section 44 of the FMA Act which requires agency heads to 'promote proper use' of resources within their agencies. The Explanatory Memorandum, paragraph 42, indicates, as a general statement not specifically in relation to the abovementioned clauses, that the Bill does not seek to alter the operational independence of entities as set out in their enabling legislation.

The ANAO considers there would be considerable benefit in reflecting this position in the Bill itself. This could be done by including a provision along the lines of sub-clause 35(4) that has general application. The absence of such a provision could lead the Public Governance, Performance and Accountability Act being interpreted as overriding existing Acts.

Clause 16: Duty to establish and maintain systems relating to risk and control

16 Duty to establish and maintain systems relating to risk and control

The accountable authority of a Commonwealth entity must establish and maintain:

- (a) an appropriate system of risk oversight and management for the entity; and*
- (b) an appropriate system of internal control for the entity;*

including by implementing measures directed at ensuring officials of the entity comply with the finance law.

The ANAO suggests that consideration be given to the Bill requiring accountable authorities to comply with 'the law', rather than the 'finance law', if any such requirement is necessary. Alternatively, the definition of 'proper'³ could be expanded to include 'lawful'.

Keeping the responsible Minister and Finance Minister informed

19 (1) The accountable authority of a Commonwealth entity must do the following:

- (b) give the responsible Minister or the Finance Minister any reports, documents and information in relation to those activities as that Minister requires;*

37 (3) The responsible Minister and the Finance Minister are entitled to full and free access to the records kept under this section. However, those Ministers' access is subject to any Commonwealth law that prohibits disclosure of particular information.

It is noteworthy that both clause 19(1)(b) and Clause 37(3) represent a broadening of the existing powers that are contained in Section 44A of the FMA Act.

Measuring and assessing performance

Clause 38: Measuring and assessing performance of Commonwealth entities

38(1) The accountable authority of a Commonwealth entity must measure and assess the performance of the entity in achieving its purposes.

³ 'Proper' is defined as ...when used in relation to the use or management of public resources, means efficient, effective, economical and ethical.

The ANAO supports the intent of this sub-clause, but suggests the phrase 'measure and assess the performance of the entity in achieving its purposes' can be interpreted narrowly. It is therefore considered that this wording could be reviewed to give greater confidence that assessment of performance relates to the impact or effectiveness of government programs and activities for which the entity carries administrative responsibility, including those that involve multiple entities and other jurisdictions.

Access to accounts and records

Clause 41: Accounts and records for Commonwealth entities

41(3) The Finance Minister is entitled to full and free access to the accounts and records kept under this section. However, the Finance Minister's access is subject to any Commonwealth law that prohibits disclosure of particular information.

This sub-clause permits access to entities' accounts and records by the Finance Minister. (This is consistent with Section 48(2) of the FMA Act. However, this is in contrast to sub-clause 37(3) and a number of other provisions that extend access to records and information to both the Finance Minister and the responsible Minister. It is suggested that sub-clause 41(3) be amended by adding 'and the responsible Minister'.

Preparation and audit of annual financial statements

42 Annual financial statements for Commonwealth entities

- (1) The accountable authority of a Commonwealth entity must:
 - (a) prepare annual financial statements for the entity as soon as practicable after the end of each reporting period for the entity; and*
 - (b) give the statements to the Auditor-General as soon as practicable after they are prepared.**
- (2) The annual financial statements must:
 - (a) comply with the accounting standards and any other requirements prescribed by the rules; and*
 - (b) present fairly the entity's financial position, financial performance and cash flows.*

*Note: If financial statements for a Commonwealth entity prepared in accordance with the accounting standards would not present fairly the entity's financial position, financial performance and cash flows, the accountable authority of the entity must add the information and explanations required to present fairly those matters.**
- (3) In the annual financial statements, the accountable authority must state whether, in the authority's opinion, the statements comply with subsection (2).*
- (4) If the Commonwealth entity is a government business enterprise, the accountable authority must state whether, in the authority's opinion, there are reasonable grounds to believe, when the statement is made, that the entity will be able to pay its debts as and when they fall due.*

43 Audit of annual financial statements for Commonwealth entities

- (1) As soon as practicable after receiving annual financial statements under section 42 for a Commonwealth entity, the Auditor-General must:
 - (a) examine the statements and prepare an audit report; and*
 - (b) give the report to the entity's responsible Minister as soon as practicable after it is prepared.**

- (2) *In the audit report, the Auditor-General must state whether, in the Auditor-General's opinion, the annual financial statements:*
- (a) *comply with the accounting standards and any other requirements prescribed by the rules; and*
 - (b) *present fairly the entity's financial position, financial performance and cash flows.*
- If the Auditor-General is not of that opinion, the Auditor-General must state the reasons.*
- (3) *If the Auditor-General is of the opinion that a failure of the annual financial statements to comply with:*
- (a) *the accounting standards; or*
 - (b) *any other requirements prescribed by the rules;*
- has a quantifiable financial effect, then the Auditor-General must quantify that financial effect and state the amount, where practicable.*
- (4) *A copy of the annual financial statements and the Auditor-General's report must be included in the Commonwealth entity's annual report that is tabled in the Parliament.*
- Note: See section 46 for the annual report.

These provisions broadly replicate the existing provisions of the FMA and CAC Acts, with an important enhancement. The Bill provides for the preparation of entity financial statements to be in accordance with the accounting standards⁴ and any requirements prescribed by the rules, and that the financial statements 'present fairly' the entity's financial position, financial performance and cash flows.

Including provisions that recognise the accounting standards in primary legislation and requiring financial statements to 'present fairly' for the first time is strongly supported by the ANAO given Australian Government entities have been applying accounting standards since the mid 1990s.

Commitment and expenditure of relevant money

52 Commitment and expenditure of relevant money

The rules may prescribe matters relating to the commitment or expenditure of relevant money by the Commonwealth or a Commonwealth entity.

Note: Rules made for the purposes of this section could prescribe measures to ensure that, to the greatest extent practicable, relevant money that is within the CRF is not paid out without an appropriation.

71 Approval of proposed expenditure by a Minister

- (1) *A Minister must not approve a proposed expenditure of relevant money unless the Minister is satisfied, after making reasonable inquiries, that the expenditure would be a proper use of relevant money.*
- (2)
- (3) *If a Minister approves a proposed expenditure of relevant money, the Minister must:*
- (a) *record the terms of the approval in writing as soon as practicable after giving the approval; and*
 - (b) *comply with any other requirements prescribed by the rules in relation to the approval.*

⁴ Defined as standards issued by the Australian Accounting Standards Board, as in force or applicable from time to time (see Section 8).

We note that the Bill makes provision for rules relating to the commitment and expenditure of relevant money. In contrast, the Bill includes specific provision in respect of Ministers (clause 71). The ANAO considers, as a minimum, the rules relating to obligations of officials for the expenditure and commitment of 'relevant money' should be consistent with clause 71 of the Bill.

That said, while the Bill includes a number of duties of officials (see clauses 25 to 29), it does not include any obligations relating to the commitment and expenditure of moneys, which are central to a regime for the proper use and management of public resources.

Consideration should therefore be given to including in the primary legislation, the obligations of officials relating to the commitment and expenditure of relevant moneys, in a manner consistent with clause 71 of the Bill.

Cooperating with other jurisdictions

82 Sharing information with other jurisdictions

The rules may do the following:

- (a) prescribe a Commonwealth entity;*
- (b) prescribe a Minister of a State or Territory as a State/Territory Minister for the entity;*
- (c) prescribe kinds of reports, documents and information that relate to the entity's activities;*
- (d) prescribe the circumstances in which the State/Territory Minister may request those reports, documents and information from the accountable authority of the entity;*
- (e) require the accountable authority to give the State/Territory Minister any reports, documents and information requested in accordance with the rules, within the time limits prescribed by the rules.*

83 Auditing by State and Territory Auditors-General

(1) This section applies if:

- (a) the Commonwealth provides money to the following (the partner) for a particular purpose:*
 - (i) a State or Territory;*
 - (ii) a body of a State or Territory;*
 - (iii) a body (including a Commonwealth entity or Commonwealth company) to which a State or Territory, or body of a State or Territory, also provides money; and*
- (b) the partner receives some or all of the money, whether directly or indirectly, because the partner:*
 - (i) agrees to use the money in achieving that purpose; or*
 - (ii) has entered into a contract that relates to that purpose.*

(2) The Commonwealth must not impose any restrictions in relation to the conduct of any audit of the partner by, or on behalf of, the Auditor-General of the State or Territory.

Note: The money may also be audited under Division 2 of Part 4 of the Auditor-General Act 1997.

The Explanatory Memorandum indicates that these clauses, together with a duty on accountable authorities to 'encourage officials of the entity to cooperate with others to achieve common objectives, where practicable' (see clause 17)⁵ are the provisions of the Bill that deal with the issue of cooperation between Commonwealth entities and their partners,

⁵ Clause 17 of the Bill states 'The accountable authority of a Commonwealth entity must encourage officials of the entity to cooperate with others to achieve common objectives, where practicable.'

including states and territories and bodies in the private and not-for-profit sectors. Clause 82, in effect, replicates existing provisions of the FMA and CAC Acts (see paragraph 419 of the Explanatory Memorandum). While acknowledging the inclusion of clause 17 and the useful message it conveys, and accepting that the ANAO does not have a full appreciation of the extent of consultation and research and analysis undertaken, nevertheless the Bill only deals with the concepts of collective responsibility and multiple accountabilities in a limited manner.

These concepts are discussed at Chapter Seven of the Commonwealth Financial Accountability Review Position Paper released in November 2012, indicating that 'Legislation should better accommodate the concepts of collective responsibility and multiple accountabilities'. In addition in relation to joint ventures, the Position Paper states 'Consideration should be given to expanding the menu of options available for structuring entities to facilitate increased collaboration and collective responsibility'.⁶

Rules modifying the application of this Act

- 104 (1) *The rules may prescribe that all or specified provisions of this Act:*
- (a) *do not apply in relation to a Commonwealth entity referred to in subsection (2); or*
 - (b) *apply in relation to a Commonwealth entity referred to in subsection (2), as if specified provisions were omitted or varied as prescribed by the rules.*
- (2) *For the purposes of subsection (1), the entities are as follows:*
- (a) *an intelligence or security agency that is a Commonwealth entity;*
 - (b) *a listed law enforcement agency;*
 - (c) *the Commonwealth Superannuation Corporation (within the meaning of the Governance of Australian Government Superannuation Schemes Act 2011).*
- (3) *If an intelligence or security agency is not itself a Commonwealth entity but is a part of a Commonwealth entity, the rules may prescribe that all or specified provisions of this Act that apply to the Commonwealth entity:*
- (a) *do not apply to the part of that entity that is the intelligence or security agency; or*
 - (b) *apply to that part as if specified provisions were omitted or varied as prescribed by the rules.*

Amongst other things, this clause provides that the rules may prescribe that all or specified provisions of this Act do not apply to the Commonwealth Superannuation Corporation (see sub-clause 104(2)(c)).

The Explanatory Memorandum, paragraph 500, indicates that modifications of the Act may be necessary to recognise particular aspects of the Corporation's responsibilities. The ANAO does not consider this provides sufficient justification to allow the rules to effectively override all the provisions of the Act, including, for example, the requirements relating to the preparation and audit of annual financial statements. Some calibration of this provision is therefore considered desirable, to better reflect the apparent policy intent.

⁶ See CFAR Position Paper *Sharpening the Focus* page 27.

THE EXPLANATORY MEMORANDUM

Paragraph 69

This paragraph indicates the CFAR reforms provide an opportunity to explore options to streamline financial reporting requirements for Commonwealth entities, including through the introduction of tiered or differential financial reporting arrangements. The ANAO reaffirms its support for this initiative, noting that opportunities exist within the existing framework to streamline disclosure requirements.⁷ It is also important that any additional accounting proposals to streamline financial reporting arrangements are framed within the requirements of the accounting standards.

Paragraph 97

This paragraph notes the possibility that, over time, some additional organisations may be classified as government business enterprises (GBE). As the Committee is aware, the description of an entity as a GBE has implications for the Auditor-General's performance audit mandate, as a performance audit of a GBE can only be undertaken if the Joint Committee of Public Accounts and Audit requests the audit.⁸

⁷ Australian Accounting Standard AASB1053 *Application of Tiers of Accounting Standards* establish a differential reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements.

⁸ As the Committee will be aware, the Committee recommended in its Report 419 that the Auditor-General Act be amended to provide the Auditor-General with the authority to initiate performance audits of Commonwealth controlled Government Business Enterprises (Recommendation 6).