

**JCPAA Review of Accrual Budget Documentation**  
**Answers to the Committee's follow-up questions**  
**Department of Finance and Administration**  
**30 August 2001**

**Q1. It has been suggested that 'price' may not be a valid concept in the accrual based outcomes and outputs framework in relation to outputs given that most public sector expenditure occurs in the General Government Sector, which by definition, provides *public services which are mainly non-market in nature*.<sup>1</sup> That is, if there is no market, price is not an applicable concept.**

**Would you care to comment on whether 'price' is a valid concept in the accrual based outcomes and outputs framework despite most public sector expenditure being for *public services which are mainly non-market in nature*.**

Response

Under the Commonwealth's framework the term "price" is applied only to departmental outputs. Departmental outputs are generally contestable in nature and thus open to comparison on the basis of price.

Some of these outputs, such as corporate services or other administrative activities, are increasingly exposed to direct competition.

In other cases even where governments have taken a decision to source an activity solely from a public sector agency, a clear comparison with other providers can generally be made. For example, in relation to policy advice, a number of private policy advisers exist, or in relation to assessing and administering grants programmes, comparisons can be drawn with private sector assessment processes or indeed between different Commonwealth agencies with similar processes. In these cases the concept of price remains applicable as a guide to whether the Commonwealth is paying the right amount for the output delivered.

The Commonwealth's pricing review process uses benchmarking comparisons as one of a suite of tools to evaluate whether the price for an output is reasonable. A range of benchmarking diagnostics is available to agencies for use at their option.

Finance agrees that there is a large number of Commonwealth activities which are not delivered in a competitive market – for example, social welfare payments. The concept of "price" is generally not applied to these sorts of activities, which are classified as administered items (some 80 per cent of the Budget). These largely constitute grants, transfers and benefits payments.

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<sup>1</sup> Consolidated Financial Statements, Commonwealth Government of Australia, circulated by the Honourable John Fahey, M.P. Minister for Finance and Administration, for the information of Honourable members, October 2000, Glossary, p136.

**Q2. During the hearing the issue of continuity of information in the accrual budget documentation was discussed. The Department of Finance and Administration noted that:**

*... there is a big time lag between the provision of the portfolio budget statement at budget time and the annual report, given that the annual report covers a financial year and, while the PBS is provided in May, prior to the start of the financial year, the annual report is provided in October or thereabouts, depending on the agency that is reporting, after the end of the financial year. That means that, in effect, there is something like 18 months between what is promised in the PBS to be performed and what is actually delivered in the annual report.<sup>2</sup>*

**The Committee suggested at the end of every month, the provision of management accounts and full management systems to the Senate, to the parliament as a whole and to the government.**

**Would you care to comment on this proposal?**

Response

At the portfolio level, departments report to Ministers on progress in formats and at frequencies that meet the needs and preferences of individual Ministers. Whether to report to Parliament at a greater frequency than at present would be a decision for Government.

Consolidated monthly financial statement information is already provided at the functional level through the media releases of the Minister for Finance and Administration.

**Q3. During the hearing, the Committee discussed the time lag between the presentation of agencies Portfolio Budget Statements and reporting on agencies achievements in their Annual Reports.**

**In particular, the Committee noted in relation to the production of annual reports that there are many instances where statutory requirements need to be met and that content additional to the financial statements may result in production delays. However, the Committee considered that with regard to the financial statement component, it may be possible to produce consolidated and final financial statements sooner. The Committee suggested that perhaps annual reports could be brought forward or could be produced in two sections: one which produces the financial statements as early as possible, and the other which produces all the other documentation.**

**Would you care to comment on this proposal?**

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<sup>2</sup> Department of Finance and Administration, Transcript, p5.

## Response

Finance appreciates the Committee's concern about the time lag between the production of Portfolio Budget Statements and the agency annual report for the corresponding period. Given that the annual report is a report on performance, Finance would be concerned if efforts to achieve more timely reporting resulted in the divorce of financial from non-financial reporting.