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THE LEGISLATIVE COUNCIL SESSIONAL COMMITTEE GOVERNMENT ADMINISTRATION 'A' MET IN COMMITTEE ROOM 2, PARLIAMENT HOUSE, HOBART, ON THURSDAY 15 JUNE 2023

SHORT PROCESS INQUIRY INTO THE FINANCIAL MANAGEMENT ACT 2016

The Committee met at 9.03 a.m.

CHAIR - This is a public hearing. It is being broadcast and everything you say to the committee will be public and form part of this transcript. You are covered by parliamentary privilege while you are before the committee. Otherwise I think you know everything you need to know about this process. If you could do the statutory declaration, then introduce yourself and speak to your submission, please.

Professor RICHARD ECCLESTON WAS CALLED, MADE THE STATUTORY DECLARATION AND WAS EXAMINED.

Prof. ECCLESTON - Thank you for the invitation, Chair. My name is Richard Eccleston, I am the Professor of Public Policy at the University of Tasmania. As I think members of the committee are aware, I work across a range of issue. My academic background is in tax policy and public finance, as well as a broader interest in governance and good democratic practice. I'm happy to appear before the committee.

I am sure members have seen the brief and high-level submission I prepared back in March in my capacity as an academic. I am happy to speak to that at the level of principles. Despite the best intentions, and we can discuss this, I've not had an opportunity to do more detailed, comparative analysis of how these important yet challenging issues are being dealt with in other jurisdictions, nationally and beyond. Chair, would you like me to provide an overview of the submission?

CHAIR - That would be great.

Prof. ECCLESTON - As we know and is apparent to all elected members and parliaments, I think there is increasing focus on improving integrity and transparency in government, but a lot of these issues are not new. I think they are becoming a mainstream political concern.

The terms of reference of this inquiry sort of intersect at two challenging areas. One is around the administration of grant programs. Grant programs are an incredibly important way of funding critically important community work, for a range of reasons. We know that, increasingly, in infrastructure, particularly critically important community and social services - it's a little bit by not-for-profits and other third-party providers, and that's entirely appropriate - and grant funds are used for a range of other purposes. In that broad discussion, in terms of providing certainty to grant recipients, particularly those delivering critically important programs, I think the Government has introduced some important initiatives, and particularly extending the grant period and duration for critically important grants to the community sector out to five years so they can plan and build capability.

Grants are part of the landscape, and I think an appropriate part of the political landscape, for governments to provide services and deliver for the communities they serve. I guess using

grant funding during election campaigns adds to the complexity and the challenges, and a lot has been written about this. I guess applying processes of good governance and election campaigns is challenging because once parliament is prorogued or dissolved and caretaker conventions apply, we're essentially looking at two groups of rival candidates, multiple candidates, parties, contesting an election. A lot of the normal governance and oversight doesn't apply. There's a difficult tradeoff here because on one level, you want to have accountability around commitments that are made, and money sort of promised and perhaps ultimately spent, but at the same time, I think voters and electors would expect governments and candidates, and particularly governing parties after an election, to deliver on their campaign promises. In making the submission, there is a trade-off there. Just because a program might be inefficient or ineffective, it is ultimately a political party's prerogative to make those commitments and the community probably has got an expectation that they will be delivered. So that is part of the complexity here.

In terms of guidelines around grants, I think in the submission, some of the federal Department of Finance's guidelines around the administration of grant programs are credible and robust, although it is interesting to note that in the Commonwealth sphere, a lot of these guidelines have been honoured more in the breach than in terms of compliance. I am sure members would have seen some of this discussion around the regional Health and Hospitals Fund and the National Audit Office's review into the use or abuse of that grant program.

The principles outlined in the submission are reasonably obvious, but I think there is also a hierarchy there - go to transparency, being very clear and being in a public domain about when election commitments have been made. One problematic trend, with some evidence I think in Tasmania but more generally, is when commitments are made to certain groups or constituents that are not made public. That is problematic in the sense of voters overall knowing what the priorities of rival parties are and where they intend to spend or invest money.

Then you've got the effectiveness and efficiency kind of guidelines: do programs represent value for money; are they likely to be effective? Are they delivered in an equitable way based on need or some type of criteria? That, again, intersects with the political logic - what actually is pork-barrelling? Is it a party contesting an elections prerogative to spend money in certain electorates at the expense of others? Ultimately, if you've got the transparency, it is up to electors to decide.

Then there is the overarching principle around lawfulness and accountability to parliament. Based on my assessment of particularly the Community Grants Program that this committee is looking at, I think it is clear, my view on it - and I am not a lawyer - is there is no question that appropriations were unlawful and, as is often the case, all governments have reserved funds in contingency funds that they do draw on in between budgets for unintended consequences and expenditure. And we saw that to a pretty significant scale during COVID. The accountability to parliament there is essentially post facto, after the event. There is reporting through the parliamentary and budget process about the expenditure from those contingency funds. I think a practical governance reform in that regard is perhaps more timely reporting of when expenditure from reserve funds and contingency funds have been approved. That may be a question for further consideration.

In terms of some high-level observations that I outlined in the brief submission, clearly, whether it's legislative requirement or just a practice, it is important that campaign commitments are made public in a transparent and accessible way during the course of the

campaign. If there is an issue with the guidelines around grant programs, and if an established grant program is identified as a source of funding for a particular commitment, ideally, there should be clear evidence - whether it's produced by the party or perhaps by the administrators or agency of the grant program - on whether there is broad alignment between a campaign promise or commitment and the rationale and objectives of a particular grant program.

I guess the broader and the more challenging question in the context of an election campaign is, for large commitments around spending, should there be some sort of oversight and assessment of the merits of a particular promise or commitment? I think without a significant investment in independent capacity, that is challenging.

Under the - I think it's the 2007 budget act, and you can certainly ask the Secretary of Treasury and Finance about this - there's clearly a provision for a treasurer or premier or leader of a political party to request the independent costings of a campaign proposal. It seems like good practice, but we know the reality is that it is very challenging in the context of an election campaign. It's not a level playing field in the sense that a government has had the resources of Treasury and Finance and other agencies to develop and cost programs, whereas, clearly, a party in opposition doesn't have those resources. So, there is a risk to them politically if they've suggested a policy and requested costings and it's inconsistent perhaps with what they've proposed or what they anticipate. For that reason, those provisions haven't been widely used in election campaigns. I think the main issue there around transparency has been very clear about what commitments have been made.

In terms of oversight and administrative transparency, as I've mentioned, all governments use contingency and special reserves to finance their activities that weren't anticipated during the normal budget cycle. I think the governance question there is about being clear when and why those special reserves are being used.

Perhaps a more challenging one, and again it goes to capacity and also thinking about the role of Cabinet and Cabinet confidentiality in this, is thinking around a commitment also to provide advice or at least a rationale on the basis under which funding decisions have been made. That's an issue that comes up in a number of contexts.

In terms of closing remarks, this is challenging. It almost requires a cultural shift, a responsibility collectively on all sides of politics to move away from focusing on spending as an end unto itself, and to think about what are the outcomes and priorities that we're trying to deliver. Really, that should be the focus of election campaigns, whereas at the moment, the practice nationally and here in Tasmania is focusing on where money is being spent, and that's our best way of signalling our priorities for the state without thinking about those effectiveness and efficiency issues. It's about where we're spending money rather than what we're trying to deliver for government, where we intend to prioritise investment, and then it becomes more of an evidence-based policy process; whereas all too often - and I think all sides of politics are guilty of this - election campaigns become long lists of promises,

There's accountability, and I think governments have done a pretty good job in honouring promises, but without thinking about what are the impacts and benefits to the Tasmanian or Australian community in terms of these investments. We have pages and pages of commitments without thinking about what it means in terms of programs, what it means in terms of services, what it means in terms of improving outcomes for Tasmanians. Clearly that's just editorialising; we have got into this - politics at the moment is really about thinking about

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these individual investments and promises and commitments rather than the much more important and complicated main game of delivering for the communities.

CHAIR - Thanks. Some of the matters you're raising sit under the Charter of Budget Responsibility Act, which is not the direct focus but obviously is linked to all of this.

Mr WILLIE - Thank you for the submission, Richard. I appreciate your comments around transparency, and that's where my questioning will go. You mentioned the Local Communities Facilities Fund in your submission. In another hearing of the Public Accounts Committee, the Treasurer told me that the way that grant was administered was a matter for the Liberal Party. Is that an acceptable position in terms of transparency?

Prof. ECCLESTON - There are two questions. One is about how a program is administered and ways around the transparency of the program. Clearly, commitments that are made should be widely published and available during campaigns.

Mr WILLIE - In fairness to the Government, the commitments have been published. They've been tabled in parliament. That might have been post-election. I think a lot of them were out in the public domain during the election, whether that was in the mainstream media or on social media or within clubs. What I'm asking here is whether the decision-making to award money to certain community groups is a matter for the Liberal Party, which is what the Treasurer said.

CHAIR - From a particular fund?

Mr WILLIE - From a particular fund.

Prof. ECCLESTON - I think that if you looked at the Commonwealth's grant funding guidelines in terms of some of the principles that I've outlined in the submission, there's a question about who administers the funds. I think the critically important question is around the accountability, around assessing value for money, fairness, equity and lawfulness. Clearly, the question - and I don't know the answer to this - is, what were the guidelines around the allocation of those funds, and did they meet those criteria?

Mr WILLIE - And it should it be public?

Prof. ECCLESTON - I think, ideally that's the sort of regime that we should be working towards. Highly discretionary funds, in terms of Commonwealth guidelines, in terms of emerging guidelines in other states, are something that we should be moving away from.

Mr WILLIE - The other issue I'd like to raise because it's in your submission and concerns transparency is, an issue with this Local Communities Facilities Fund was that some of the commitments were funded from the Treasurer's Reserve, and they went straight to the Governor and avoided parliamentary scrutiny. If you read the Treasurer's Reserve section in the Financial Management Act - I'll just read the first part to you:

The Treasurer may, in any financial year, issue and apply from the Public Account, for expenditure, the need for which could not, in the opinion of the Treasurer, reasonably have been foreseen and which is necessary for efficient financial administration -

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Does that need tightening up given that it's been used to fund election commitments that probably are reasonably foreseen and, in this instance, it's been used to avoid parliamentary scrutiny?

CHAIR - At the front end.

Mr WILLIE - At the front end.

Prof. ECCLESTON - What I would say is that the contingency funds are widely used. That probably needs comparative analysis about what the particular provisions are in terms of the circumstances under which a treasurer uses and accesses those funds. I think parliamentary scrutiny after the event is critically important. And the one provision, from my reading of the circumstances and act, is that there should be an obligation to report or to gazette when those funds have been approved.

Mr WILLIE - So, gazetting them when they are approved by the Governor?

Prof. ECCLESTON - Gazetting when those funds have been approved by the Governor. I think that should be public in my understanding. I stand to be corrected and perhaps check this with the secretary, as I don't think there's an obligation to do that in a timely way.

Mr WILLIE - We don't want to be too prescriptive in this section of the act because we don't know what unforeseen circumstances are often.

I go back to that question. Does it need tightening up? Is the process used by the Government in this particular instance in the spirit of the act?

Prof. ECCLESTON - The provisions of the act are broad, so I think we'd say that the Government's conduct is certainly within the spirit of the act. As I said, there are specific issues that do warrant further consideration. As I said in my opening remarks, I have not had an opportunity to do that work.

There is also a trade-off here at the other end around the specificity and detail of budgets and budget processes. The more specific budgets are, the less flexibility there is in terms of appropriation and using funds within budgets. Having completely defined appropriations within a budget ticks the box for transparency and parliamentary accountability, but in terms of the administration of the complexities of government, it does make it a bit more difficult because there are significant funds within programs that are moved around, time delays, moved through time and in various ways reported back through the budget process and into parliament. So, it is a trade-off there between having some flexibility but also that accountability and where that balance lies perhaps needs further consideration.

Mr WILLIE - I will frame the question differently then.

There is no question that it was lawful under the act and your submission refers to that, and I am not questioning that either.

What happened in this particular circumstance, where the Government funded election commitments from the Treasurer's Reserve -

CHAIR - Some.

Mr WILLIE - Some of them, not all of them; a lot of them were tabled in parliament and debated. Is that a practice you would like to see continue?

Prof. ECCLESTON - Under some circumstances. I don't think we should be ruling it out.

Mr WILLIE - For election commitments?

Prof. ECCLESTON - The other trade-off here is that we want the timely delivery of services. The criticism from communities and commentators is that often governments are too slow to act in terms of implementation. I think the idea of somehow trying to prohibit using contingency or reserve funds for any election commitments is problematic. I think the most likely circumstance I can see is when there is a widely agreed priority that needs urgent investment. I think all of you would be happy to identify and will be advocating for priorities come the next state election, or when you're seeking re-election. The costs might be different, they might blow out, you might need additional funds to deliver a particular program or address an acute community need. In that regard, I would be a bit apprehensive about some sort of blanket prohibition on using contingency funds. What I think would be appropriate is if reserve or contingency funds are required to deliver a particular program in a timely way, that request for funding and the approval of that funding and, ideally, a rationale for why those special reserve funds were required should be made public, as it will be in three, six or nine months or during the next budget cycle.

Mr WILLIE - In summary, you would like to see more focus on outcomes; if this process is used again in the future, you would like to see it gazetted, or published, when the Governor approves it; and you would also like to see the guidelines used in the decision-making.

Prof. ECCLESTON - We need robust guidelines for when grant funding is used.

Mr WILLIE - And they are made public?

Prof. ECCLESTON - Yes.

Mr WILLIE - I am trying to get to the heart of the transparency issue.

CHAIR - If I could follow up on that, the guidelines relate to the reporting of election commitments or the expenditure from the Treasurer's Reserve? There are two separate things here.

Prof. ECCLESTON - The guidelines that we are talking about are really about the guidelines for grant funding and at least say that it is explicit in terms for what these funds are designed for. If it is very small-scale spending around particular community needs, that can be baked in and then it is a matter for a government to justify that and for parliament to scrutinise that.

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If we are talking about tens of millions of dollars, well, really, what is the rationale and what are the guidelines around that? That is where we are moving, with regard to the tensions between executive government and broader public administration.

CHAIR - You talked about that you wouldn't want to see the use of the Treasurer's Reserve limited because there could be an urgent need that comes up; that is agreed by all parties during an election campaign. Let's say, we have a mass resignation of paramedics so we actually needed to fund additional positions on higher pay to attract them - whatever it is, we cannot operate the state without them, and this is agreed to during the election period, in caretaker mode.

The newly elected government of whatever colour controls and determines the sitting schedule, it controls and determines the legislative agenda, so its first order of business could be to bring forward a supplementary appropriation bill for the amount of money required to fund the new paramedics, say, and that would be a front-end scrutiny, an open and transparent process, even though everyone agrees this is a priority. Do you think, if that remains possible, COVID-19 aside perhaps - there are situations where perhaps parliament cannot meet, but then that is not a question about how we meet remotely, which is not part of this but maybe should be. I am just trying to understand, if it is an extraordinary circumstance like that, then the government has a couple of options. One is to bring in a supplementary appropriation bill. The other is to be open and transparent about the fact that we are actually going to access the Treasurer's Reserve for this because we want to do it now - with 35 members, the count might take longer to finalise the last few members so they cannot formally sit until that is done. I am trying to look at how to get the most open and transparent mechanism. Is it with the current framework with more rigour around it or is it something else? I am trying to understand how that might look.

Prof. ECCLESTON - I am firmly of the view that parliament is critically important and sovereign, and that's often an inconvenient truth for a lot of governments. There are costs though in formulating a supplementary appropriation bill and feeding it through parliament in terms of time and other things that parliament could be doing. Perhaps a regime - and, again, we would need to think about the details - is that spending or appropriations from the Treasurer's Reserve above a certain threshold, if there is a significant -

CHAIR - There is only \$50 million in there.

Mr WILLIE - It's \$50 million in most years but through COVID it was \$150 million.

CHAIR - They have stopped that now.

Prof. ECCLESTON - There is a de facto limit there and it seems about right in the context of a state. It is less than 1 per cent of the state budget.

CHAIR - On that point, Richard, if you had a threshold level and amounts above whatever that threshold level is needed to be reported separately in some way, that doesn't remove all the problems of the grants - \$5000 here, \$6000 there, \$2000 there - to little community organisations. For them it is a lot of money. For them it is equivalent to \$20 million in, say, the Health system. As you identified, transparency and timeliness of reporting is the key, and how do we define that?

Prof. ECCLESTON - That is the next layer of more detailed work that needs to be considered.

Mr EDMUNDS - You made a comment about commitments that aren't being made public being problematic. Is that the answer to that as well about detail?

Prof. ECCLESTON - Absolutely. It is difficult; it is more of a risk in small communities but also with digital platforms and micro-targeting and all of those types of strategies. If firm commitments have been made to groups then that should be made public. I don't think that necessarily applies to the community funds but it is another insidious practice that is highly problematic. That is the minimum threshold that parties should be making a clear commitment to make public all of their election promises and costings. I think that has generally happened in Tasmania. It is an important principle but one I'll acknowledge is often difficult to enforce in practice.

Mr DUIGAN - I guess what I am hearing is that, by and large, you feel that the regulatory framework is okay, aside from a few little tweaks around publishing. Are there other levers to achieve the kind of cultural shift that you feel is needed? Where do you start that piece? Where does that come from? How do you drive that?

Prof. ECCLESTON - That has to come from the top down. You talk to a lot of people and I talk to a lot of people in the community. I am sure you talk to a lot more than I do given the nature of your work, but there is a frustration there in the kind of transactional way that we are doing politics in Australia. I am not singling out Tasmania there. Groups often depend on this type of funding to do their work, but why can't we do it more systematically, more holistically? Let's lean with our aspirations and what our priorities are, then that feeds into the criteria for grant funding so we have much better alignment and much better effectiveness. It is partly about being explicit about a commitment or an ambition to do politics differently.

Then it is about parties embracing that and ultimately around governance and policy, embracing that. If our focus for the next five years is to support more young people into work and further education, that is the priority for our grant funding for all of the different groups and employment services that are doing work; how can you make that kind of systematic ecosystem?

Thinking about these issues at a higher level, you're right, Nick, the two are around the timely reporting and then a serious commitment to tightening up the criteria and governance of grant programs and trying to conform with those. Having had a look at what was happening in other states briefly when preparing this submission in March and some of the analysis and seeing some of the materials coming out of the Commonwealth Department of Finance around grant guidelines, that makes perfect sense, and then to read the National Audit Office report and how those guidelines were completely ignored in terms of the allocation of \$1.9 billion worth of funds federally highlights part of the cultural challenge.

CHAIR - Following up from that, Richard, around the tightening up of the rigour around the grants programs, do you see that sits in the Financial Management Act? Without some legislative expectation around that, our guidelines don't have any ways and if someone doesn't follow the guidelines then, so what, effectively - we've seen a bit of that.

Prof. ECCLESTON - Yes, what is the role of the independent audit function around this and where does that - ?

CHAIR - There's no penalty, except a bit of public shaming maybe, whatever it is, but do you think there needs to be some sort of legislative provision around the use and assessment of grants, and where would that best sit?

Prof. ECCLESTON - In terms of the machinery of government and where it best sits, that's an open question. It is one pillar of a broader kind of review of the integrity and accountability in government in order to tighten that up and to get that balance right between community expectations and delivering communities without developing compliance and oversight regimes that are expensive and unenforceable and often don't lead to better outcomes. That's something where you really need to work through the details and I apologise for not having a prescriptive position on that but, clearly, there needs to be more oversight.

CHAIR - Does that need to have a legislative framework that guides that? Is that what you're saying, rather than just some guidelines that sit there but are not necessarily followed, as we've seen in other jurisdictions?

Prof. ECCLESTON - The critical thing is timely oversight and accountability. Even legislative requirements often can't be ignored but are interpreted in a pretty liberal and pragmatic way without that independent oversight.

CHAIR - We do have some legislative requirements about reporting of financial transactions and things like that. Obviously, there are a number of financial reports each year - the big one, the Treasurer's Annual Financial Report, lovingly known as the TAFR, which provides a consolidated set of numbers but that's in October after the end of the financial year on 30 June. With the Treasurer's Reserve expenditure, there's the reporting of that after the event as we get the report in parliament that's tabled that has a list of the requests for additional funding - RAFs - and the other movements within agencies and things like that. There's nothing wrong with that; that's all lawful and appropriate but that, again, is well after the event. If you go to the dates of when those decisions were made, nearly always they're made almost without exception - I've been here a while now - in June, between about 16 June and 30 June. Some, occasionally, happen a little bit earlier but they're nearly all in that period. When I've asked about this previously, it's because we manage within our own resources until we can't anymore and then we agree to these requests for additional funding to meet the gaps.

Prof. ECCLESTON - It's a reconciliation thing.

CHAIR - Yes. When you look at the description of the expenditure to come out of the Treasurer's Reserve, it is for contingencies, it is for unforeseen expenditure which is necessary for the efficient financial administration. That is efficient financial administration, balancing the books at the end of the year. On 16 June we don't have in the *Gazette*, as you suggested, or even a tabled document in the parliament that says on 16 June, 10 RAFs were approved and this is what they were for and this is the amount; we wait until after they've all be approved by the Governor and - a done deal. Is there a better way of doing that? You have touched on it by saying when a decision is made, whenever it is, and it could be on 29 June, a lot of them are, that there is a gazettal notice at that point.

Prof. ECCLESTON - That is exactly the approach. With technology and better administrative systems it is straightforward. There is a lot not to like about American politics and American budget processes, but they are really good at transparency and real-time reporting of expenditure, spending decisions, warts and all. Also, who is involved committees and making spending decisions. There is a shift towards transparency but we need a model that is appropriate for Tasmania in 2023 or 2024. Based on my preliminary analysis of the case, there could and should be more timely reporting.

Mr DUIGAN - They also have lots of circumstances where they are not going to approve the funding and the government is going to shut down and those sorts of things, I guess. If you have less than 1 per cent of the budget to balance the books at the back end, that would seem like it is limited in its size and scope.

CHAIR - It is limited to \$50 million.

Mr DUIGAN - That's right, less than 1 per cent of the budget to balance the books.

CHAIR - In terms of how big the Treasurer's Reserve can be, it can be bigger than that depending on what Commonwealth funding comes into it.

Mr DUIGAN - But it is not.

Prof. ECCLESTON - It has to be proportional to the funds and significance. This is the sort of responsive regulation. You don't want to have really prescriptive, robust, onerous requirements in terms of process and timely or real-time reporting for very small sums, but in terms of the investment and processes to report these decisions in a timelier way, I can't see that would be an issue. It would be interesting to look at what Australian states are doing about the contingency and reserve funds and reporting expenditures from those.

Mr WILLIE - Back to the administration of grants, it is a follow-on from the Chair's questions about legislative frameworks. One model is potentially where parties could commit to a Local Communities' Facilities Fund of, let's say, \$100 million. During election campaigns politicians can champion projects, say this is a great project, we are going to put this forward for this fund and it is going to be assessed on its merits. Do you have any comment on that model? Is that problematic in terms of delivery? Politicians might get caught championing a project and people think it is going to be delivered and then it is assessed and knocked off.

Prof. ECCLESTON - It is a good example, Josh, and it highlights that tension that I tried to describe in my opening comments. At the end of the day, shouldn't it be a candidate or a party's prerogative to propose policies and priorities that it thinks are appropriate? Isn't there a risk with that kind of model about, well, this is really a commitment and that is the trade-off? I want to fund a new school or a new district hospital or something like that, but it has to go through this process. It's not easy. I agree with you and I sound like I'm contradicting earlier calls focusing on priorities and outcomes rather than spending. I think we really want a culture and a system where - you don't want a hundred-million-dollar fund - we discourage politicians and parties from making those ad hoc decisions, or commitments, I should say. It's really explicit that these are priorities and they will be subject to this kind of review. You could set up guidelines for a smaller community fund that's really about empowering communities and giving them the sort of autonomy to make decisions about all their priorities, so that sort of

devolved decision-making. There are models to do that, to respond to acute community needs that are perhaps slightly insulated from a crude political calculus about buying votes.

Mr WILLIE - Would that sort of process be more inclusive, like in this particular example of the current Government? You go out into some communities and they feel aggrieved because they're not connected to the political process, they don't necessarily know a member of parliament and they didn't know this sort of funding was available to their club.

Prof. ECCLESTON - That goes down to guidelines around access and equity and fairness so that it's not an insider's game but that community funds are spent based on need and genuine grassroots community priorities. I think more generally it's not easy, but we really need to think about the way we engage with the communities and how we empower communities and give them a voice. I know it's a set of issues that the local government review has been considering. Clearly, councils are close to communities, but it's a pretty traditional form of political engagement where some constituents in communities have got good relationships with elected officials but there are also big constituencies and groups within communities that don't have those connections, so how can we more effectively reach out, give them a voice and really understand what their priorities are?

CHAIR - That is where the equity aspect of this comes in, in that it's not a relationship with a particular community, maybe there's a particularly Labor-leaning area or a particularly Liberal-leaning area, then they are more likely to engage with the members of that party and more likely to be able to get their ear in getting additional funding. In terms of making it a more equitable and open process, are you suggesting there should be a fund that is established, a bit like the Treasurer's Reserve, a fund established that has a certain amount of money in it and from which commitments can be made, and then there's still a process of ensuring some oversight of that before it's doled out. I am just trying to understand the structure you are suggesting here.

Prof. ECCLESTON - I think a good example here in Tasmania, of what is really good public policy is the Tasmanian Community Fund, which is a great funding model; it's basically the proceeds of selling the state bank [Trust Bank] when I was a kid, kept in perpetuity and managed independently and pretty strong connections to communities in terms of setting priorities and funding a range of projects at different scales. That really should be the model that we're working towards, but at the end of the day it's a cultural shift, isn't it, in terms of planning an election campaign, trying to desperately win, win votes -

CHAIR - Wouldn't it make it more equitable if, to pluck a figure out of the air, say, there's \$20 million sitting in a local community facilities fund or whatever you want to call it, that all candidates knew was there, and so it's limited to a degree, but then all communities would know there is that bucket of money - we really need a new roof on our sports ground facility, so let's put our hand up and ask for that. Then both or all parties may say yes, absolutely, we'll back that in.

Pro ECCLESTON - That is right and some of the criteria can be an extent to which members and candidates will support a particular proposal.

Mr DUIGAN - To an extent you do see that; in an election campaign, there will be things that people will -

CHAIR - I am not disputing that, I am just talking about the process of how you make the funding decisions about it in an open and transparent way. It's not just a party member saying this local community group definitely needs this investment, it's valued about \$5000 or \$10 000 so we'll make that commitment. It would be assessed through the process of this fund, whatever it is called. The other party comes along and talks to this group and says, 'We support that too', so that is likely to get the tick-off at the end. Whereas the ones who perhaps only have the support of one party may be reviewed more thoroughly in the wash-up as to whether there is a real need there, with an outcomes focus. It sounds like a complicated process -

Prof. ECCLESTON - It is a trade-off, isn't it? Rather than voting for a candidate or a party who is committed to building a new change room at the local netball club or whatever, you are voting for a candidate that supports that proposal in a process. That is one step removed. Maybe I am naïve but I think there is an appetite for having that kind of process.

CHAIR - It also makes it possible for independent members to say if they were elected particularly in the lower House, that if that was to come before them, they would support it, too. Doesn't it make it more equitable for all?

Prof. ECCLESTON - That's right. It is one mechanism at a small scale of giving members who are part of a governing party or coalition or power-sharing arrangement some influence over resource allocation. We need to be careful because our system is not really set up to do that. But in the progression of politics and the evolution of our kind of parliament and party system and Westminster budget system, that might be something worth thinking about.

CHAIR - Do you think that sort of arrangement should be described in the Financial Management Act, if there was to be such a process?

Prof. ECCLESTON - It could be considered. But we would need to do the work in terms of what are the models and what are the guidelines. Then, what is the best policy instrument? Is it including it in the Financial Management Act? I do take your point though that guidelines, more often than not, are honoured in the breach rather than in terms of compliance. I do think in terms of this evolution of government, governance is about providing more oversight. We have got good, ordered oversight of financial management and spending, but what we always struggle to do is to think about the outcomes, or what I call a performance audit. Sure, we have spent this money in an appropriate way, as per the budget and probity guidelines, but has it actually delivered anything? Could it have delivered more? All too often the answer is either 'We don't know' or 'Probably not'. All governments are resource-constrained. The budget outlook over the medium term is challenging. We've got high and complex needs and we really need to lean into that in creative ways.

CHAIR - Richard, is there anything you wanted to say that you haven't said already that you wish you had?

Prof. ECCLESTON - The only thing is the apology about the general nature of that discussion; I think we identified some priorities in thinking about that and the committee's work and the broader reform agenda around some of these issues. Unfortunately, I did not have the time to do work on more detailed or prescriptive views.

Mr WILLIE - You can always come back to us.

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CHAIR - If you felt inclined.

Prof. ECCLESTON - If I can find the time, yes. That is an important set of issues. I will certainly bear that in mind and through the Chair or the Secretariat I can keep following the committee's work.

CHAIR - It is very targeted. Obviously, it is not something that interests everybody, but it's an important body of work that we review legislation that seems to arguably have been used in a way that perhaps wasn't fully intended or without the transparency that people expect and whether that can we strengthened and if so, how. Thank you.

Prof. ECCLESTON - Thank you.

THE WITNESS WITHDREW.

The committee suspended from 10.01 a.m. to 10.15 a.m.

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The committee resumed at 10.15 a.m.

CHAIR - Welcome to you both to our public hearing for Government Administration Committee A looking at the Financial Management Act, how it is related. It is a public hearing. Everything you say is covered by parliamentary privilege while you are before the committee. I don't imagine there will be anything of a confidential nature you wish to share with us but if you do, you can make that request, otherwise it is a public hearing and will be transcribed and will form part of our public record and report.

Any questions or comments? Otherwise I will get you both to take the statutory declaration and invite you to make some opening comments.

Mr TONY FERRALL, SECRETARY, AND **Ms SUSAN PETERSON**, ASSISTANT DIRECTOR, DEPARTMENT OF TREASURY AND FINANCE, WERE CALLED, MADE THE STATUTORY DECLARATION AND WERE EXAMINED.

CHAIR - Thank you. I am not sure how you want to approach this, by going through the act initially?

Mr FERRALL - If it suits the committee, I have a presentation on the act which goes through the principal areas of the act and how they are operationalised. Within the presentation there's also a series of slides which pick up various sections in the act and provide some commentary around how they are operationalised within Treasury and with the Treasurer's office or the Treasurer. In that part of the presentation, I wasn't going to work through it. I was going to leave it with the committee, but I am happy to work through it if that helped. Then, towards the end, I have some comments and thoughts around some of the areas I think there could be some improvements or some changes. I am happy to work through that if it suits the committee. I am happy to take questions as we go through.

CHAIR - Would members find it helpful to have that? Perhaps some of our newer members might find it helpful to have it in front of them, or all of us really for that matter.

Mr FERRALL - And I have provided an electronic version.

Mr EDMUNDS - I have had a few IT issues this morning so hard copies are good.

Mr FERRALL - This technology looks like it is dead.

CHAIR - We have all had trouble this morning. We will leave it in your hands, Tony, as to how you wish to approach it.

Mr FERRALL - I am happy to take questions through the presentation. To assist the committee into the operations and application of the Financial Management Act, the presentation details the legislative framework, the structure of the Public Account and details of the requirements of the FMA; it tries to step through those. The presentation is quite long but it is intended to give the committee a broad understanding of the legislative framework.

In addition, as I said earlier, part of the presentation provides details of specific responsibilities of the Treasurer under the FMA and when the provisions are utilised and how Treasury operationalises their requirements. As I said, I am happy to go through that but

I didn't really intend to go through that part of the presentation in detail but leaving the slides with you may assist you in your deliberations. I will highlight a number of areas where I believe the overall financial management framework could be enhanced to improve transparency and accountability.

If we move on to page 3, this slide shows the range of legislative and financial governance documents of the Tasmanian public sector. People often think that the limitation is around the Financial Management Act but there are linkages to the Constitution Act, the Charter of Budget Responsibility Act, the Audit Act and the Financial Management Act, and then you pick up appropriation acts. There is enabling legislation of state authorities and there is also Treasurer's Instructions which are issued under the authority of the FMA. It is quite broad and they all interact in terms of any particular issue or particular decision. You can't necessarily look at just one piece of legislation to understand what should happen or does happen.

The classification framework is determined in accordance with the principles and rules set by the Australian Bureau of Statistics and the entities are classified into three different sectors.

Looking at the table, the General Government Sector includes all government departments, some state authorities controlled and mainly financed from the public sector, and state authorities included in the GGS include entities such as TasTAFE, Royal Tasmanian Botanical Gardens and State Fire Commission. In contrast, the public non-financial corporation sector - PNFC - generally covers the majority of its expenses from its own revenues by the sales of goods and services and is generally more commercially focused.

The PNFC sector includes state-owned companies and government businesses, and some state authorities as well. Where an entity lies is not always an easy thing to pick up from either its name or what it is and it's classified by the Australian Bureau of Statistics. Some end up in the General Government Sector; those that are more likely to be seen as trading enterprises end up in the PFNC sector. The ABS classification is not a choice that the state makes; it is the classification the ABS decides.

CHAIR - Just on that point, Tony, Homes Tasmania sits in the PNFC sector. Is it because it is asset-based, because of the assets that have been transferred to them and they can raise their own revenues through their rents and things like that?

Mr FERRALL - I cannot really say why the ABS classifies something in one place or another; they go through a process of identifying whether the entity has own-source revenues, whether it is largely funded from public funding or whether there are other features that make it more like a trading entity as opposed to a general government department.

CHAIR - If you look at Metro, which gets significant government subsidies, that still sits in the PFNCs.

The subsidies for Metro are under a contract and so, again, my judgment is that the ABS would consider that as a trading entity for that reason or partly for that reason. It is not always obvious as to where an entity will be classified under the ABS framework, but it does create some confusion sometimes when people attempt to make or apply the framework that applies to the General Government Sector to an entity that is in the PNFC or vice versa.

CHAIR - The Treasurer and the state have no say over where they sit, the ABS makes that determination?

Mr FERRALL - In terms of the ABS classification, there are provisions - and I would have to check which ones - which would enable you to have an entity classified as operating within the Public Account notwithstanding that it would be classified by the ABS as, say, a PNFC. That would create a number of challenges for Treasury, particularly in presenting financial statements because we would have a uniform presentation framework which follows the ABS classification and then we would have an entity which might be picked up in the PNFC, which would then have to be consolidated into the PNFC. So, in the budget papers you would have some chapters at the back that would be under the uniform presentation framework and that would not reconcile with other parts in the budget papers. Although it is potentially possible for an entity to be scheduled so that it does end up as part of the Public Account, from a Treasury point of view we would not really support that because then you are going to get inconsistencies within the budget papers. That will be difficult to reconcile and creates more confusion for the readers of the papers.

I am on page 5. The FMA establishes the Public Account, which includes the receipts of the General Government Sector and expenditure from the General Government Sector, which is largely appropriations and the Specific Purpose Accounts.

Under the previous legislation, some members may remember, there was effectively a Consolidated Fund and there was a Special Deposit and Trust Fund. Now, in consolidating under the new legislation, effectively, the special purpose accounts, which would have previously been in the Special Deposit and Trust Fund, would have been brought into the single Public Account in terms of the legislation. Agency trust accounts are outside of the Public Account, that is true trust or pure trust accounts, and the FMA applies to all General Government Sector agencies scheduled in the act, and that was the point I made a moment ago that you could potentially schedule a PNFC entity in the Public Account, effectively, but it would create a number of problems.

CHAIR - We do not have any that are scheduled in there?

Mr FERRALL - No. And the FMA does not apply to government business enterprise or state-owned companies. The Charter of Budget Responsibility establishes and provides a very broad framework to improve fiscal policy outcomes. It requires a number of things, including for the government to have a fiscal strategy, which need to be based on the principles of sound financial management. It also requires a regular report on the government's financial performance. I will not go into the details of the principles of sound financial management established under the act, but they are quite broad principles, as most principles are; they are not prescriptive and they are of the nature of - I can give you an example - preparing for unexpected events by building a robust financial position. They are quite broad and they are open to quite broad interpretation.

The Charter of Budget Responsibility Act also requires regular reports to provide for the assessment of the government's fiscal performance, so the Treasurer is to provide information within the Budget, the revised Estimates report and the Treasurer's Annual Report, to allow assessment of the government's fiscal performance against the Fiscal Strategy so there are requirements for that to be reported.

CHAIR - We do know the improved reporting in the budget papers this year on that.

Mr FERRALL - Yes, and personally I think it is a good move to provide a broader set of reporting and a broader set of measures under that Fiscal Strategy. The charter also requires a publication of a Pre-Election Financial Outlook Report under certain circumstances and establishes a process for costing of election policies at parties represented in the House of Assembly, and it requires the tabling in parliament of the report on the sustainability of state finances every five years.

CHAIR - Tony, we were talking with our previous witness about the intersection with the Charter of Budget Responsibility Act. Some things he was talking about were reflected more there than in the Financial Management Act. On the publication of the Pre-Election Financial Outlook Report, can you just go through to some of those circumstances that might prevail that would see that happen?

Mr FERRALL - Yes, and I will not try to get all the provisions in the act right, but, fundamentally, the Secretary of Treasury, if an election is called, needs to make a judgment within a certain period of time as to whether the most recent publicly released financial statements of the government of the day are appropriate or still reasonable. Then, once the Secretary has made that judgment, if the judgment was that there needs to be an update to those most recently published financial statements - and the Secretary has, I think, 10 days to produce further information or a further statement and the form and nature of how that is produced is up to the Secretary - it is effectively in there as a mechanism if there is a long period of time between the publication of the Revised Estimates Report if you looked at an election that was some time after the publication of the Revised Estimates Report; there are obviously things that could have changed and you might need to have an updated report. So, it is designed around that.

CHAIR - So it is a timeframe thing but also if something significant was happening economically to the state.

Mr FERRALL - Yes.

While the charter act addresses significant issues relating to what is considered to be a sustainable budget position, reporting on the sustainability of the government's financial position and public accountability, in practice, as I noted a moment ago, it's noted that many of the requirements of the act are quite broad and open to a level of interpretation that can lead to uncertainty. In turn, this could result in a reduction in the financial management rigour required, but they are very broad provisions. From a personal point of view, I'm not sure you could actually operate if you made them very tight as well, but because they are very broad, there's a level of interpretation that is needed to be undertaken, particularly by the Secretary of Treasury when you have certain responsibilities under the act which occur generally around those election times or publication of the Pre-Election Financial Outlook Report, but also in terms of publishing a report on the sustainability of the finances every five years. They're very broad provisions; they don't give a lot of direction.

CHAIR - When is the next of those due - before or after you go?

Mr FERRALL - After.

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CHAIR - Is it next year? I'm trying to remember when you did the last one.

Mr WILLIE - It's a few years until the next one.

CHAIR - Yes, it must be getting close.

Mr FERRALL - We did one in 2021.

CHAIR - That was the bonus one, though, wasn't it?

Mr FERRALL - No, there was another bonus one. I will see if Susan can find it.

CHAIR - Yes, Susan might be able to figure out when it's due.

Mr FERRALL - I will move on to the Financial Management Act. The introduction of the Financial Management Act 2016 was effective from 1 July 2019 and it replaced the then 30-year-old legislation and introduced the new structure of the Public Account, new Treasurer's Instructions and revised the responsibilities for managing the state's finances. The FMA, at a high level, provides for the management of the public finances of the state in a manner consistent with contemporary accounting standards and practices, so it's linked to contemporary accounting standards and practices. It establishes minimum requirements for the supporting statements required with respect to bills for appropriation, so there's specification of what must be provided with an appropriation act. It provides authority for the Treasurer to manage appropriations under certain circumstances, and I'll go through those circumstances in a moment; and to report supplementary Estimates to parliament. It also provides authority for an accountable authority to draw money from the Public Account under certain circumstances. It establishes the responsibilities of the accountable authority of an agency so 'accountable authority' is effectively the head of agency. The act does allow delegation, though, of responsibilities of the accountable authority. It requires the Treasurer to provide quarterly and annual financial reports to parliament in relation to the General Government Sector and the Public Account, and requires the accountable authority of an agency to provide annual audited financial statements to parliament for the relevant agency. It provides for the Treasurer to issue instructions in respect of the principles, practices and procedures to be observed in the financial management of all agencies, so that's effectively the Treasurer's Instructions.

Mr WILLIE - In terms of the agencies reporting to parliament, do you have any comment on how that's done in practice? The parliament gets snowed with some days 30 annual reports being tabled at once and it's difficult for the media and parliamentarians to scrutinise.

Mr FERRALL - I agree it's difficult to scrutinise. The requirements around the preparation and publication of an annual report and financial statements are really built around the end of the financial year, then the capacity of the agency to prepare the statements, the Auditor-General to do audits of the statements and then push them through. I'm not sure you can avoid a large volume at a point in time because you'd have to change the whole reporting cycle of everybody and move them out of cycle. It satisfies the accountability requirements; it's just a question for parliament whether there is time or capacity to scrutinise those to the level that parliament may want to.

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Mr WILLIE - And the fourth estate, too. Often, they will make comment about having so many reports to work through, and in a timely way. We can provide scrutiny over a period of time; it's just whether it's timely in terms of when they've been published.

Mr FERRALL - I have some comments about that later. I think there are some ways that some of that timeliness, in some areas of scrutiny, could be enhanced by having some other reports at different times, potentially. Fundamentally, parliament is overlooking a very large group of individual agencies and GBEs, and the volume is somewhat unavoidable. GBEs come later for scrutiny, but even then, it's still large volumes.

The next Fiscal Sustainability Report is in 2026.

CHAIR - That's a job for the next secretary of Treasury.

Mr FERRALL - Correct. The FMA builds on the principles from the Charter of Budget Responsibility Act in regard to financial management responsibilities of accountable authorities, including the accountable authorities responsible for ensuring an agency's financial management processes, records, procedures, controls and internal management structures are appropriate; ensuring the custody, control and management of accounting for all property, public money, other property and other money in possession of or under the control of an agency. The point I'm making here is really that it is a sort of disaggregated or decentralised model in terms of having accountable authorities at the agency level who are responsible for these things. Although Treasury has quite a significant role, people sometimes confuse Treasury's role with the accountability at an agency level. The accountable authorities are responsible for ensuring that appropriate stewardship is maintained over the assets of an agency and the incurring of liabilities of an agency, and ensuring the effective and efficient use of resources in achieving the government's objectives.

CHAIR - You may come to this later, so we could leave it until then. If you have an agency that appears to be acting contrary to that, say, there is a whole range of liabilities that could grow and leave liabilities ...[indistinct], at what point and who would step in there and say you are allowing this to go beyond your statutory requirements as an agency?

Mr FERRALL - In a practical sense, Treasury does monitor a range of things occurring within agencies, not necessarily to the level of leave liability, as an example, but to the extent that there were behaviours in an agency of which we may form a view they would be inconsistent with the principles or the FMA. In the first instance, we would raise that with the Treasurer. There is a set of guidelines and rules, particularly around things like the Treasurer's Instructions, which do create some boundaries around those kinds of areas. Quite clearly, if there was an agency where there was an egregious going beyond those boundaries, then that would be a matter Treasury would need to deal with. There are provisions in the act which haven't been exercised, but if the Treasurer's Instructions, for example, have been breached, it is ultimately a breach of the law. From a head of agency -

CHAIR - Because of the powers in the act to establish the Treasurer's Instructions? They are not scrutinised in any way.

Mr FERRALL - No, they are not. But the powers in the act -

CHAIR - But if there was a breach of them, it is now actually a breach of the FMA.

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Mr FERRALL - Yes, and a breach of the FMA, for a head of agency, is a breach of law, which, under the State Service Act, is an actionable act.

Mr WILLIE - There are exemptions to the Treasurer's Instructions in many circumstances, aren't there?

Mr FERRALL - Yes, they can be given.

CHAIR - By the Treasurer?

Mr FERRALL - Yes. I am happy to go quicker or slower.

CHAIR - Are we all good with the speed? Yes? Bearing in mind that most of the other members were not here when we brought this act in, so it is probably helpful.

Mr FERRALL - Just going through page 9, some of the other legislation. The Constitution Act authorises the issue and application of money from the Public Account. That is Part 4 of the Constitution Act. The Constitution Act deals with appropriations, it deals with taxing and it deals with the structure of appropriation bills. The role of the Auditor-General is established under the Audit Act 2008 and the powers and responsibilities of the Auditor-General are detailed through that act. The Auditor-General is required to provide an independent view on the financial and operational position and management of the state's agencies and businesses. The Auditor-General also provides a view on the fiscal sustainability of government entities, and has the power to investigate those entities and provide a report on a broad range of issues. Going to the question earlier about what happens if there was a breach, part of that is picked up through the Auditor-General's role as well.

CHAIR - Which the Auditor-General can only do if his offices are adequately resourced.

Mr FERRALL - Resources are a problem for everybody.

All accountable authorities are required to submit a financial statement to the Auditor-General, each financial year. This statement, along with the report from the Auditor-General, comprises the annual financial report of each agency as prescribed in the FMA. Effectively, those linkages require agencies to have fully audited reports produced for their annual report or included in their annual report.

Other legislation that you would also be familiar with such as the Public Accounts Committee Act provides the committee with broad-ranging powers enabling it to inquire into matters relating to financial management, administration or use of public finances, or any matter that it considers related to public finances. The Public Works Committee Act establishes the Parliamentary Standing Committee on Public Works; the act dictates its membership, powers and responsibilities and it covers public works undertaken by a GGS entity. That does include agencies and state authorities if they are in the GGS.

The point I am really trying to make is, there are multiple legs to almost any financial decision. If there is a financial matter relating to capital expenditure, it can fall into the Public Works Committee Act, it can be captured under the Constitution Act, it can be captured under

the FMA. When you are looking at how things might be occurring or what needs to occur, you have to look much broader than just the FMA.

Lastly, in terms of legislative framework, the State Service Act establishes government departments under Schedule 1, Part 1 of the act and state authorities under Schedule 1, Part 2. It also provides for the establishment of a head of agency for each agency. Among other things, the State Service Act requires heads of agency to operate and ensure their agency is operated effectively, efficiently and economically as is practical. Again, there is another linkage into the State Service Act. As I said earlier, the State Service Act also requires an agency to produce an annual report.

Now, for the Treasurer's Instructions, the detail there just groups them in particular areas, the way we have grouped the Treasurer's Instructions. Treasurer's Instructions can be issued in respect to the principles, practices and procedures to be observed in the financial management of agencies. They are there to provide further detail to guide agencies. They can apply to all agencies. They can apply to a specific agency and at all times or specific time frames. You could, under the act, have an individual Treasurer's Instruction for a specific agency, for a defined period of time.

CHAIR - Does that happen very often?

Mr WILLIE - Have you got an example of that happening?

Mr FERRALL - I do not think there has ever been an example of a TI like that. We have done them all as generically applying to all agencies, and there are specific exemptions that are given on occasion, but I am not aware of any that we have done, no. Treasury's Instructions don't apply to the agency specified in Part 2 of Schedule 1 of the FMA; that's effectively the legislative agencies, so it doesn't apply to the House and it doesn't apply to Legislature-General and the Governor - it's basically those that end up in that schedule. Treasurer's Instructions have been developed relating to financial control, financial reporting, budget, procurement framework, procurement processes, contracts and disposals. In addition, we produce a range of better practice guidelines which are available to assist the agencies with their responsibilities.

Mr WILLIE - When an exemption is given to a particular Treasurer's Instruction, does the Treasurer seek advice from Treasury, or is it purely the Treasurer's decision?

Mr FERRALL - I am not aware of an example where Treasury hasn't provided advice to the Treasurer in relation to an exemption. A number of the Treasurer's functions and activities have been delegated to me as Secretary of Treasury, so I can give exemptions under certain circumstances as well.

Mr WILLIE - Okay.

Mr FERRALL - Moving on to page 13 of the budget papers, the FMA requires that a bill for an appropriation act is to be accompanied by a statement in the budget papers showing, in respect of that financial year, the total amount of estimated receipts in the Public Account, the expenditure from the Public Account, and the major general financial sector's financial statements prepared in accordance with the Accounting Standards. The requirement to publish major GGS statements in accordance with the Accounting Standards is met through the

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statements currently included in budget paper 1, and the Treasurer may include any other financial or statistical report. The budget papers that accompany the appropriation bill have a range of additional reports or additional information which goes beyond what is required to accompany an appropriation act, technically. As the committee would be aware, Treasury often makes suggestions to the treasurer of the day to expand or to include additional information through those reports.

Mr WILLIE - How far out do you lock those estimates in from tabling in parliament?

Mr FERRALL - Sorry, can you repeat that?

Mr WILLIE - The estimated receipts of the Public Account for example, how far out from tabling in parliament does Treasury lock those figures in?

Mr FERRALL - It varies. In practice, we need about a six-week runway from the time government makes its final decisions around the budget to get to the point of budget day. It can vary but that's broadly; by the time everything is documented and checked and worked through, it takes about six weeks. When we are doing the budget, we tend to do things like - revenue estimates for some revenue lines might be done a little bit earlier. In the most recent Budget - I'd have to check the exact dates - we'd probably be dealing with those in around March.

Mr WILLIE - Are they taxation and things like that? Where you've got more control and it's not as volatile?

Mr FERRALL - Not necessarily all of them, but some of them we do earlier and we monitor as we go forward to see if there are events that might cause a significant change to those particular estimates. The budget process is a bit challenging because with the budget date where it is, we don't get a significant piece of information, that is, the Commonwealth estimates until quite late. Again, just for clarity, the Commonwealth budget, when it's published, doesn't necessarily have the level of detail for some aspects of Commonwealth revenue to enable us to fully include it even then. Certainly, the level of GST pool is fine, but if you start to go down into some of the Commonwealth specific payments, they are not disclosed in the level of detail in the Commonwealth budget papers that we actually need, either. That takes a further update sometime later.

I will move now, if the members are happy, to a bit more detail in relation to the obligations under the Financial Management Act. Accountable authorities can delegate any function or power under the FMA except the power of delegation. Anything a head of agency is required to do, they can delegate. The very specific requirements of the accountable authority are detailed in Part 4. In particular, the accountable authority of an agency is responsible for ensuring the expenditure is in accordance with the law; ensuring effective and efficient use of resources; that appropriate stewardship is maintained over assets; ensuring the financial management processes, records procedures and structures et cetera are appropriate; custody of assets; proper control of all money payable to or collected under any law administered by the agency; conducting reviews at the times determined by the Treasurer of fees and charges; and ensuring compliance by the agency with the act or any other written law.

They are quite high level in terms of what their responsibilities are, but I think there is a pretty clear understanding in terms of what appropriate records are, because you have

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accounting standards that would support those; appropriate custody and control management of accounting public property, public money et cetera. Even though the accountable authority's responsibilities are relatively high level, I think they are quite appropriate because there is a very good understanding of what those high-level principles effectively mean.

CHAIR - Going back to your point earlier, Tony, if the accountable authority was to not fulfil a responsibility under that, then that would link to the State Service Act as well and the potential penalty there?

Mr FERRALL - Yes.

Moving on to expenditure from the Public Account, there cannot be any expenditure from the Public Account without appropriate authorisation. Treasurer's Expenditure Control Authorities are issued subsequent to the passage of the appropriation act, including if there was a supplementary appropriation. The Treasurer's Expenditure Control Authority reflects the total appropriation - both operating and capital services authorised to be drawn down from the Public Account in the relevant budget year. An obvious point I would make is that an appropriation is not money per se. An appropriation is an authority. I do not think that the members here would confuse that but some people do confuse an appropriation and think it is money. What is really is, is an authority for expenditure.

Accountable authorities are authorised to draw money from the Public Account under the FMA in accordance with other written law. That also includes reserved-by-law expenditure. To support accountable authorities to manage expenditure from the Public Account, the Secretary of the Department of Treasury and Finance issues what we call a Public Account Expenditure Summary to each accountable authority of an agency on a quarterly basis. The summary contains all of the approved estimates for expenditure from the Public Account for an agency for the relevant year. Specifically, it includes the approved estimates for annual appropriation, in accordance with the TECA and any adjustment to the expenditure estimates approved by the Treasurer.

If the Treasurer exercised some of the authorities under the act to make adjustments to particular expenditures, then the Public Account Expenditure Summary would be adjusted in line with that. It also includes estimates for expenditures from the Specific Purpose Accounts in accordance with the estimates approved by the Treasurer pursuant to section 17 of the FMA. I will go in to a bit more detail on the Specific Purpose Accounts in a moment. It also includes expenditure reserved by law appropriation in accordance with other written laws. We provide accountable authorities with a summary, simply because there are various elements of the expenditure that they are authorised to make that come from different heads of power. It is easier for us to provide them with a summary, and if there's an amendment, here's another amendment, otherwise they might inadvertently attempt to overspend or not understand what authorities they've got in expenditure.

I will move on to Specific Purpose Accounts. Under the act, the Treasurer may establish a Specific Purpose Account for any money kept in the Public Account, and the Treasurer must specify the purposes for which the Specific Purpose Account is to be used and the agency responsible for its administration.

Estimated receipts and expenditure in relation to each account must be reported to parliament in the budget papers as part of the development of the annual appropriation act.

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Agencies can only retain and expend funds from the account in accordance with the approved purpose.

If an agency wants to treat a new revenue item as agency revenue and retain it within the Specific Purpose Account, it must submit a request to the Secretary of Treasury for consideration by the Treasurer. Agencies need to monitor their accounts on an ongoing basis to ensure that no revenue is retained without approval.

Mr WILLIE - How many accounts are in operation at the moment?

Mr FERRALL - Specific Purpose Accounts, 25 - that's a guess.

Ms PETERSON - We tendered a list at Estimates.

Mr FERRALL - Yes, there are quite a few. Every agency has one or more Specific Purpose Accounts. There would be plus or minus 25. We will table a list of them. They are published in the Treasurer's Annual Financial Report as well.

The Treasurer can also approve variations in relation to the estimated receipts and expenditure from the account subsequent to the passage of the appropriation bills. As part of the appropriation, the receipts and expenditure estimates for SPAs are provided in the budget papers. They can and do vary during the year and the Treasurer can approve changes subsequent to the passage of an appropriation act to those SPA estimated receipts and expenditure.

CHAIR - Of the supplementary appropriation, you mean?

Mr FERRALL - No. SPAs are separate to your appropriation in terms of the receipts and expenditure. I will use Parks as an example. Parks would have authority to receipt Parks revenue into their Specific Purpose Account and they also have authority to spend from the revenues they receive to that account on Parks purposes. That is not and doesn't go near an appropriation. That is effectively outside - it is still within the Public Account, broadly, but it is not part of the appropriation process.

Agency trust accounts sit outside of the Public Account. They're accounts that have been established under section 18 of the FMA, and that's for the receipt of money by the state or an agency held in trust, as approved by the Treasurer. They are not part of the general operations of an agency or the government. There's limited, or effectively no, discretion on how funds can be used because the requirement, under the trust, is to use them for those purposes.

Opening and closing balances and net transactions are disclosed as part of departmental annual financial statements for each agency trust account. Some of the examples of purposes for which trust accounts can be established include the receiving and disbursement of significant private funds to be held by an agency and administered in a trust; money deposited with an agency pending the completion of a transaction, potentially in the termination of a dispute, there might be a trust established for that; Tasmanian Community Fund; the residential tenancy security deposits - there are a range of trust accounts, not many of them though compared to the SPAs.

CHAIR - Bequeaths? Sometimes people leave bequeaths for Health, particularly.

Mr FERRALL - Hospitals. Yes, it depends - not all of those would necessarily be trusts, but there is a hospital bequest and whatever trust fund already established.

CHAIR - How many trust funds have we got now?

Ms PETERSON - It's quite a smaller number now.

Mr FERRALL - It wouldn't be many, put it that way. Contrary to the general Specific Purpose Accounts, not every agency would have trust accounts even; some might have more than one, but it'll be a small number.

On page 19, in terms of budget management, as I've indicated, accountable authorities are responsible for managing agency appropriations and must manage their budget pressures within existing allocations. Budget pressures include all above-budget costs, there's a TI B1 budget management which provides direction and guidance for agencies in relation to managing those pressures.

This includes the requirement for agencies to manage their budget in the current year, as well as taking action to manage agency costs within current forward Estimate allocations on the same basis.

Ms PETERSON - There are currently 33 SPA accounts and 19 agency trust accounts, and the SPA accounts are listed at table 4.8 in budget paper 1, but we can get a separate list of both.

Mr FERRALL - Do you want that tabled separately?

CHAIR - Yes, if you wouldn't mind, it just helps to get a record there.

Mr FERRALL - Some commentary briefly from the TI:

Accountable Authorities must manage their agency budget on the basis that supplementary funding will not be provided within the budget year, including in the following circumstances: variations to cost, outcomes of wage negotiations, deficiencies in Australian Government funding, deficiencies in own-source revenue, and new expenditure initiatives, unless previously approved by a budget committee and endorsed by Cabinet.

The requirements of TI B1 are much more specific and low level than those that come through the act, and they do provide a framework for accountable authorities to manage their budgets within year and across the forward Estimates.

The particular TI also precludes accountable authorities from committing to new Australian Government funding that have matched funding obligations unless a budget allocation already exists without the prior approval of a budget committee and is endorsed by Cabinet.

The framework is quite tight in many respects. The framework in terms of TI B1 also requires the accountable authority to advise the Secretary of the Department of Treasury and

PUBLIC

Finance as soon as practical if it becomes apparent that material above-budget expenditure has occurred or is at risk of occurring within the agency that cannot be managed within existing appropriations.

Mr WILLIE - That would happen, say, in the Health department?

Mr FERRALL - By way of example, I haven't necessarily been advised that by the Department of Health this year, but the Health department - look, all agencies have an ongoing dialogue with Treasury around how they're managing their finances within year, so there's an elevation from 'We've got some challenges but we think we're managing them and we should be fine' to a point which might be something formal coming from a head of agency to me saying 'This has got beyond what we think we can manage and it's a significant issue'. It's sort of a graduated - we have budget analysts within Treasury meet with most agencies on a monthly basis and they have a dialogue, an interchange about how they're managing and what things might be occurring.

CHAIR - Does the same apply if, say, particularly in the areas where they're heavy on capital works, that there's been some delay in getting the works done, and so they want to push the funding out into the next year?

Mr WILLIE - Or a cost blowout.

CHAIR - Yes, but I'm talking about whether they're not going to use the money they've been allocated.

Mr FERRALL - We have. We get updates from agencies on a regular basis, effectively on a monthly basis. There are probably some challenges in the information exchange because, what I would comment about capital projects particularly, is there tends to be an overestimation from agencies of what they can deliver or what will be delivered, and it tends to be quite late in the year that they start to wind back. If I went to an agency to do the Revised Estimates Report in mid-December and asked them to update their capital expenditure for the year, most of them would say 'We are going to meet our budget and we are going to get all our capital works done', but if I go to them in May or June, they would probably have a different story.

Again, in part that is the reality of the major capital projects, but it is also in part that there is still an element within some agencies that wouldn't want to report it at that point because they might think that it is something bad as opposed to saying this is just an information exchange with Treasury to help manage the budget in an appropriate way.

CHAIR - Do you actually report that? Is it in your Revised Estimates Report? Is that the hesitation for them to say, 'We don't think we will be able to deliver the so many million dollars' worth. We think it is going to be less than that'?

Mr FERRALL - We do updates in the Revised Estimates Report.

CHAIR - There is a reluctance at that point because it will be publicly reported?

Mr FERRALL - It will be publicly reported because if you had a project in a particular agency that was estimated to be \$50 million at the start of the year and in the Revised Estimates Report we publish the actual expenditure up to December, which in most capital projects tends

to be significantly lower than half a year's expenditure and that is natural, we would get revised estimates from agencies against those projects. The point I was making is that there is a range of incentives and other issues and they don't tend to report early in the financial year because either they believe they will catch up on the project or get the project done, or some of them probably have some reservation in reporting it because they recognise it will be publicly reported and reflect.

CHAIR - Put their rose-coloured glasses on before the RER. That is my assessment of the situation.

Mr FERRALL - Yes, and from a Treasury perspective, we nearly always make comments in both the RER and the budget in relation to the likelihood of the overall capital program being achieved and, in part, it is for those reasons.

On page 20, section 20 of the FMA allows the Treasurer to make good deficiencies in appropriation out of surpluses arising or savings effected across items within the Schedule of an appropriation act. Effectively, using the transfer provisions, if an appropriation is going to be underspent then the Treasurer has authority to transfer it to another appropriation to offset budget pressures and basically to better reflect the allocation of budgets during the course of the year, for example, to reflect internal restructures and overhead reallocations.

CHAIR - To clarify, Tony, does this occur just within agencies or can it go across agencies?

Mr FERRALL - It can go across agencies.

Mr WILLIE - But not very often?

Mr FERRALL - If it was going across agencies, something like Finance-General would be more likely to go across agencies, but it can go across agencies and it has gone across agencies in past years but more likely within an agency.

CHAIR - And that is reported in your supplementary estimates?

Mr FERRALL - Yes. I will get to that one as well. The Treasurer's Reserve - section 21 of the FMA allows the Treasurer to consider the provision of additional funding to agencies through the Treasurer's Reserve. It's for expenditure which could not, in the opinion of the Treasurer, reasonably have been foreseen and is necessary for efficient and financial administration. It's a pretty broad provision.

Section 22 of the FMA allows for the Treasurer to approve above-budget receipts received from the Australian Government to be provided to agencies, so there are two sections, and with above-budget receipts there's no need to have another authority to expend Australian Government funding.

CHAIR - Just going back to the definition or the requirements for expenditure by the Treasurer's Reserve - and you may come to this later, Tony, so if you're going to that, that's fine. It is an 'and', it's not an 'or' there. I think sometimes the necessity for efficient financial management description [prescription?] is more easily met than the first one, the unforeseen or reasonably unforeseen circumstances. Would you agree with that? It seems that not both tests

are necessarily being met when there's expenditure from the Treasurer's Reserve, from the outside observer's perspective.

Mr FERRALL - It's possibly a challenge. The intention of the provision is ultimately that if an expenditure is foreseen, it should be included in the appropriation bills that go to parliament. You shouldn't, in general terms, be budgeting to expend from the Treasurer's Reserve. If you could foresee it, and you knew it was a likelihood, it should be in the budget.

CHAIR - Just to come back to your point earlier, funding decisions that are basically finalised before the six weeks that you need to do all the rest of it to prepare and deliver the budget and the budget papers, there will be knowledge up to that point. You could argue that beyond that point, that six weeks it roughly takes, they could be unforeseen in that period, even though they appear within the previous financial year.

Mr FERRALL - Yes. Look, if we've prepared the budget papers or we've got all the final decisions from the government and we're doing the final part of the budget papers, and then something happens and government legitimately makes a commitment to it, then I couldn't foresee that when we were doing the budget papers. That does occur. It's quite legitimate and appropriate.

As I said, the main purpose of the provision, in my view, is to ensure that the budget itself has all of the known commitments in it to the extent possible at the time of formulating the budget.

In relation to your comments on the second component necessary for efficient financial management, that, again, is probably a clause that could be interpreted many different ways. What does it really mean by saying something is necessary for efficient financial management? I'm sure there'd be lots of different views on that.

I'm on page 22, on the Treasurer's Reserve. The total amount available for distribution, subject to appropriate approvals, is the value of the Treasurer's Reserve in the appropriation act plus any additional receipts generated during the year, less additional Australian Government receipts. The Treasurer's Reserve for 2022-23 is \$150 million. It reverts to \$50 million in each year of the forward Estimates after that.

The Treasurer's Reserve is limited to 2.5 per cent of the total appropriation in the appropriation act for that financial year. If that was calculated, was applied to the total appropriation in 2022-23, the limit would be approximately \$188 million as opposed to the \$150 million that was put forward in the Budget.

It is expected that an agency will have explored all opportunities to manage costs within its existing funding before submitting what we call a Request for Additional Funds. A Request for Additional Funds is submitted by an agency; it needs to include any reasons for the additional cost, details of any action the agency has taken in order to manage the additional costs, and where any expenditure does not relate to an existing purpose detailed in an appropriation act, the approval must be sought from the Governor. That is effectively where you have a new-purpose RAF that needs to go to the Governor.

PUBLIC

The Financial Management Act does not provide any specific guidance as to what the Governor may consider in making a decision in relation to a new purpose act, so it is not prescriptive in terms of what the Governor would consider.

CHAIR - Just before you go on then, Tony, you talked about that the Treasurer's Reserve that is appropriated may not exceed 2.5 per cent of the total appropriation; that is not considering any additional revenues?

Mr FERRALL - No, it is 2.5 per cent including - where I came up with \$180 million, we had \$150 million of the base Treasurer's Reserve and there were total additional state-sourced receipts, that is, not counting Commonwealth additional receipts of \$96 million. That gives a total fund, notionally available, of \$246 million - \$150 million plus the \$96 million - but the statutory cap is 2.5 per cent of the total appropriations, which includes any initial appropriation plus any supplementary appropriation that went through, and the 2.5 per cent of that is the \$188 million. So, even though we received additional state revenue in 2022-23, we could not have increased the Treasurer's Reserve to the total of the original appropriation plus those receipts, because we are still limited by the 2.5 per cent.

CHAIR - So, where is the additional revenue coming from?

Mr FERRALL - Well, it is additional state sources, which was the \$96 million that was basically from tax receipts, compared to budget, what we get.

CHAIR - Just any own-source revenue -

Mr FERRALL - Yes.

CHAIR - that basically comes into the Public Account?

Mr FERRALL - Yes, that can be counted.

CHAIR - But you cannot top up the Treasurer's Reserve beyond that?

Mr FERRALL - You cannot go beyond 2.5 per cent, but you can top it up to the 2.5 per cent. I mean, you could appropriate to the full 2.5 per cent at the start of the year, so you could have gone to that level and then, if you have any additional revenues that will potentially not be available because you have already reached the 2.5 per cent limit, but a year like, say, the coming financial year, where we have a Treasurer's Reserve of \$50 million, which is quite a bit below 2.5 per cent, if there are net additional state revenues, then that will supplement the Treasurer's Reserve, that is, give greater capacity to do RAFs, only to the extent that it still remains under the 2.5 per cent.

CHAIR - If, say, with the property boom they're saying conveyance duties go up, how is the decision made as to whether you put that additional revenue, or even the expected revenue, into the Treasurer's Reserve or into the general Public Account?

Mr FERRALL - Well, it all goes into the general Public Account. The Treasurer's Reserve is effectively a ledger rather than a fund; in a technical sense, what happens is that the Treasurer's Reserve does not actually get spent because the expenditure incurs in an agency where they have instigated the request for additional funds. In the Treasurer's Reserve, if we

have additional revenue, we don't sort of move the cash, for want of a better description, so it is all still sitting in the Public Account.

Mr WILLIE - In terms of supplementary appropriations, how do you make the decision whether to use the Treasurer's Reserve or come to parliament for a supplementary appropriation? Sometimes the amounts are below the Treasurer's Reserve.

Mr FERRALL - Ultimately, that is a matter of judgment for the treasurer of the day. Quite obviously, if the total required additional funding is beyond the capacity of the original appropriation and the Treasurer's Reserve and any additional revenues, then the only other lawful way of expending would be through a supplementary appropriation. The timing of a supplementary appropriation tends to mean that you have got to make some judgments clearly before the end of the year because you need to do the supplementary appropriation nominally in sort of March, April. When you formulate a view that you need a supplementary appropriation, you still have to be cognisant that there are another two or three months left of the year where you will still potentially need to utilise the Treasurer's Reserve for unexpected expenditures. There is an element of judgment at that point as to what you would put in the supplementary appropriation and what you would put and what you would utilise some of the Treasurer's Reserve for, and then you know holding back some of the Treasurer's Reserve for potentially things that happen.

CHAIR - But noting that if you use some money from the Treasurer's Reserve you can top it up from own-source revenues.

Mr FERRALL - Yes - but only to the extent you have got additional revenues and you do not always have additional revenues.

The FMA also provides for expenditure to be incurred for what is called emergency purposes. This provision has not been used since the commencement of the FMA. We did not even need it through COVID but the Treasurer is required to get written approval of the Governor for such expenditure, and it also requires the Auditor-General to prepare a report related to the specifics of the emergency, and that must be provided to the Governor; the Auditor-General may request an explanation from the Treasurer or relevant minister before preparing a report. The previous provisions under the old FMAA were very similar and they had not been utilised either. It is the last resort, I guess, you go to in terms of the emergency provisions.

I did flag, when we went through the COVID scenario, that in a circumstance where you potentially could not recall parliament for, say, supplementary appropriation and there was expenditure which had to be encured, it might have used that provision.

CHAIR - The fact that we did not need it during that period does not mean you will not in the future, but is it necessary to have it there with all the other mechanisms that are in the act? Going back to your comments that parliament is supreme and parliament should have the final say over a lot of these things, it is public money after all.

Mr FERRALL - I think it is not unreasonable to have an ultimate backstop in terms of - I cannot speak for the Governor, but I cannot imagine the Governor would agree to funding under an emergency provision if parliament was available.

PUBLIC

Mr WILLIE - But if parliament can meet remotely, you probably would not need this clause.

Mr FERRALL - Probably. This provision goes back 30 years, ultimately, because it was similar in the previous act and parliament could not meet remotely.

Mr WILLIE - Still cannot.

Mr FERRALL - Yes. And if you had a circumstance where, for some extraneous reason, parliament could not meet and something happened that did require additional expenditure in a true emergency sense, I think you do need at least a capacity to deal with it.

I will just deal now with rollovers and unspent appropriations. In accordance with section 23 of the FMA, if an amount appropriated to an agency remains unspent at the end of the financial year, the Treasurer may determine that an amount of that unexpended appropriation is to be issued and applied from the Public Account in the following years. That allows funding to go from one year to another. The FMA imposes a 5 per cent rollover cap at the agency level to appropriations in the annual appropriations act in effect for the relevant financial year. It is effectively any initial appropriation plus supplementary appropriation multiplied by 5 per cent; that is the maximum rollover that an agency can request. The determination to be made by the Treasurer must specify the agency and item in the appropriation act, the total amount and the purpose. The determination will be made generally before the end of the year but, in a practical sense, sometimes it can be made a day or two after the end of the financial year, with regard to the timing. Where funding is no longer required in the current budget year or an upcoming year, savings should be declared by an agency.

Rollovers occur quite a lot across agencies. That is a provision which enables particularly things like capital projects where you might not have completed them, as Mr Willie indicated a while ago, you have got a provision to enable you to roll over capital funding for the project that is continuing, but you have not effectively cashed it out the door in the year of appropriation.

Mr WILLIE - It was you, Chair, who indicated that.

CHAIR - On that point, we have seen some agencies that have large budgets, so 5 per cent is quite a substantial amount, but they are still applying for RAFs to meet shortfall when they have this money they are going to roll forward. Can you talk about how that works and whether that is an appropriate mechanism, or should they be required to use up their budget allocation, acknowledging that the RAF might be for something different from what the money is there for the other - ? Maybe that is the answer but I am interested in that decision.

Mr FERRALL - That is the answer. If we are providing advice to the Treasurer in relation to agency RAFs, we do look at their rollovers and other funding sources; we also look at whether there might be a saving in another area within the agency as well, which would then enable you to use a transfer provision as opposed to a RAF.

We look at all of those aspects in putting our advice together, but it is challenging. To use the capital example, if there is a project that has not expended all of its funds this year, it is still going, it is going to be completed in the first half of next year, it is not in the appropriation

for that coming year so the rollover provision would enable the unspent funds of that capital to roll into the next financial year.

At the same time, the agency could have an entirely different issue related to recurrent expenditure and over-expenditure where it puts in a RAF, so you do get RAFs and rollovers occurring, but we try to balance up whether you need a RAF or whether you can use transfer provisions and whether there are other appropriate mechanisms.

CHAIR - Capital expenditure makes sense because we know those things can be weather-dependent and all sorts of stuff. With recurrent expenditure, say, in a department where you could not fill positions and so you have had that money allocated for those positions but you have not been able to fill them and thus the money sits there, obviously that money is not going to be spent on those people because they are not there and they were not there, hopefully they might be recruited and engaged within the first few weeks of the new financial year, so how is that treated with regard to whether we should roll this over when actually it is not going to be spent on that purpose?

Mr FERRALL - There are two sorts of examples you could have in that case. You could have one where we have got an ongoing program that commenced some time ago and we have got savings from salaries from this year because we have not been able to fill positions. In reality, if you have got an ongoing program and it is in the budget for next year, you do not actually need the money because you have not had the people. I think your point is that this year, if you didn't have the people, you didn't spend it. Even if you have the people next year, if it is in your budget going forward, you do not need twice the money. In those circumstances, we would probably recommend to the Treasurer that he did not approve that particular roll-forward.

However, if you had an example where there was funding in this year's budget for a program that did involve people and it was a time-limited program, that is, we didn't have permanent funding for it, we still have to do the activity but we have not managed to recruit in the current financial year, and we think we are going to be able to get it done in part of the next financial year, then it probably is appropriate to enable a rollover. So, there are different circumstances -

CHAIR - Is it up to the head of agency to provide all that necessary detail to enable Treasury to prepare the advice?

Mr FERRALL - We don't make the decision -

CHAIR - But you will prepare the advice for the Treasurer.

Mr FERRALL - but we will prepare the advice for the Treasurer to consider. Again, to your point of being 'swamped by reports to parliament' - we get swamped at the end of the year by these sorts of things as well.

CHAIR - I can imagine, with RAFs and rollover requests.

Mr FERRALL - The more detailed information that you try to consider, the more challenging it is to try to do that in a very compressed time frame.

PUBLIC

Mr WILLIE - In terms of that discussion, if I can give a practical example like the 100 TAFE teachers the Government committed to, they weren't able to recruit all of those teachers in the first year. Can you recall what happened after that in that practical example, whether there was a rollover or whether they thought in this environment it is too hard to recruit so we'll just allocate the same amount the following year?

Mr FERRALL - TAFE is funded from a grant from State Growth so I can't tell you offhand what happened with that grant. My understanding would be that the grant was provided to TasTAFE and they have retained that and they will utilise it going forward.

Mr WILLIE - Okay. I am sure there are lots of examples.

CHAIR - That's why the Treasurer is swamped.

Mr FERRALL - Chair and committee, are you still fine with still going through this act?

CHAIR - Yes. I hope everyone is finding it helpful.

Mr FERRALL - In terms of whole-of-government reporting, the requirements for quarterly reporting are in Part 5 of the act and the following whole-of-government reports are required to be published. These are:

- September Quarterly Report - that's no later than 45 days after the Auditor-General's report has been prepared;
- Revised Estimates Report - which is no later than 15 February in the financial year to which it relates;
- December Quarterly Report - this report is the report of actuals up to December and that's no later than 15 February.

CHAIR - Published?

Mr FERRALL - Yes, published.

- March Quarterly Report - which is generally published in the budget papers if an appropriation bill is tabled within 45 days at the commencement of a financial year, or no later than 15 May.

CHAIR - Will budget papers get printed?

Mr FERRALL - Yes, if budget papers get printed. They always have been.

CHAIR - They were the bits that got missed off this year though, weren't they?

Mr FERRALL - Only a few pages. You can control just about everything except the printer.

- Preliminary Outcomes Report - which is only provided under certain circumstances. That's no later than 15 August; and
- Treasurer's Annual Financial Report - which is no later than 31 October.

The Revised Estimates Report presents the detailed financial information, including revised Estimates for the current year and revised forward Estimates, so that's effectively a mid-year report. It provides an explanation of the variations between the original budget and the revised Estimates and the assessment of the government's performance against its Fiscal Strategy, as I mentioned earlier. The mid-year report fiscal strategy update needs to be included as well.

CHAIR - Tony, on that, are we likely to see in the RER this coming year a line-up with the fiscal strategies as outlined in the budget papers?

Mr FERRALL - Yes, unless there's a change to the Fiscal Strategy, the current Fiscal Strategy needs to be reported in the RER.

The Preliminary Outcomes Report is required to be prepared if the preliminary outcome results for the previous financial year differ materially from the estimated outcome published in the budget. When we put the budget forward we do an estimated outcome. We tend to do that, again, some time before the end of the year. It's generally likely that the Preliminary Outcomes Report is required because usually, at least in my time I've made the judgment that there's a difference between the estimated outcome published in the most recent budget and what we're seeing as at 30 June. Mostly, if not always, there will be a Preliminary Outcomes Report presented.

CHAIR - Tony, is 'material variation' defined in the definitions? I can't remember now.

Mr FERRALL - No.

CHAIR - Can you just give us a description of how that is assessed, by what measure?

Mr FERRALL - It is not numeric, simplistically put, and it can't be. If you started to try to do it as a percentage, what would that mean? Is it 5 per cent against the operating balance? Is it 5 per cent against the estimated capital expenditure? There is a whole variety of factors you would need to bring into account as to whether it is material or not. My judgment has been that if it is different, then it is probably going to be material because somebody will have an interest in it somewhere, as to why the capital is down a bit or why your recurrent [expenditure?] is up a bit or whatever else it might be. I have tended to form the view that it will nearly always be material if there is a difference. I mean, quite clearly, if you ended up with \$10 or a couple of hundred or couple a million across all measures, you'd say that it is probably not material, but there could be circumstances where, even though that might not be material in the global budget, they could be material because of the specific nature of them.

Mr WILLIE - This is one of those broad interpretations that you talked about at the start?

Mr FERRALL - Yes.

CHAIR - And is that your interpretation, as the Secretary?

Mr FERRALL - I think it is just a statement if it is materially different. In practice, it has been, in my judgment, that we'll produce a Preliminary Outcomes Report.

The Treasurer's Annual Financial Report presents audited statements for the General Government Sector and the Total State Sector, including audited Public Account information and also mandatory statistical information. The Treasurer's Annual Financial Report is ordered [or audited?] by the Auditor-General and is published no later than 31 October. It is tabled before each House of Parliament on or before 31 October.

On other whole-of-government reporting, section 24 of the FMA outlines the requirements for the Treasurer to prepare supplementary estimates after the end of each financial year. The statement will include all of the information as required under the FMA. This is where you pick up the transfers of appropriation, the utilisation of Treasurer's Reserve, variation in appropriations for Commonwealth grants, any emergency expenditure that has been authorised by the Governor, and it also picks up rollovers from unexpended appropriations.

While the FMA requires only the total value of each of these authorisations, the Supplementary Estimates Statement breaks down the authorisations by agency. The statement is published in the Preliminary Outcomes Report, unaudited, and in the Treasurer's Annual Financial Report, audited.

Agency reports - the requirements to prepare an annual report are included in the State Service Act. The FMA requires that if an agency is required to prepare an annual report, the accountable authorities are required to include annual financial statements in that annual report. Agency annual reports must include the Auditor-General's report and must be tabled in parliament by 31 October each year, which is why you get all of them on the 30th. As also previously highlighted, a report is required to be prepared on the abolition of an agency, and this is also required to be submitted to the Auditor-General. With the recent abolition of an agency, there was a report submitted by the Auditor-General and the report was tabled in parliament.

Mr WILLIE - Going back to the discussion where they are all tabled on one day, some agencies would have them prepared before that day and there are parliament sitting days. It just seems to be that they are all -

CHAIR - They do stagger them a little in that week. You get Tasrail's and - sometimes TasNetworks's is early, but Hydro's is always on the last day.

Mr FERRALL - In part, it is to do with the Auditor-General's workload as well. I mean, using Treasury as an example, we have not necessarily been able to get the Auditor-General's final certification; even though we have prepared our report some time previously, we have to wait for that final certification.

CHAIR - Also, don't you need to wait until you have all the final results from the agencies to report on the Special Deposits and Trust Fund and the Specific Purpose Accounts - for the TAFR?

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Mr FERRALL - Yes. I am not sure there is anything you can do about the sheer volume. One way of changing it, you'd have to change the reporting cycle from June on June, and that would bring in a whole raft of other challenges. For a whole-of-state consolidation as at June, we would have to consolidate with interim figures. You just need more time in parliament.

Mr WILLIE - Oppositions would agree with that.

CHAIR - The Government may not.

Mr FERRALL - The next section is about eight or ten slides and I wasn't going to go through those. I have covered most of them but it goes through each key section, provides what the responsibility is and then gives a bit of a description about how that occurs. It is probably more for information than to go through it, but it also covers off some of the reporting in Treasury's reporting system, links to the mandatory data requirements et cetera that we have. This is getting into the bottom level of how we operate and work with agencies; I thought it might be of interest in your consideration, but I won't go through those unless you want me to.

I have covered what they are in a responsibility sense, but it gives a bit more colour and movement. If the committee is happy, I was going to move to page 45 and provide some comments or views around what I think are some possible areas for improvement.

The first one is management and reporting of Specific Purpose Accounts. The 2021-22 TAFR - Treasurer's Annual Financial Report - shows that about \$3.4 billion of transactions occurred through Specific Purpose Accounts out of total transactions of about \$10.7 billion. In that year, approximately 30 per cent of expenditure from the Public Account went through SPAs as opposed to from an appropriation through parliament. The difference between the original budget which was published, which was \$2.9 billion, and the final outcome reported in TAFR was another half a billion, so in the original budget we indicated that \$2.9 billion worth of transactions would be going through the SPAs in relation to retained revenues and expenditures. But the final outcome was about half a billion higher than that and if you take the sum of the two, the \$3.4 billion, then it is almost 30 per cent of the transactions through the Public Account by dollar value.

Whilst estimated SPA receipts and expenditure are published in the budget papers - they are in there as estimated balances, or receipts and expenditures - limited detail is provided in regard to specific receipts and expenditures at an agency level. In a technical sense, they are not necessarily able to be scrutinised at Estimates committees because they are not forming part of the appropriation. It doesn't mean they are not. I know there are conversations and scrutiny of them but they don't form part of the appropriation.

Quarterly variations in Estimates are provided to the Treasurer for approval, but there is no requirement for these variations to be published and there is nothing required in terms of explanations of apparent variations through the year. Detailed agency budget chapters also do not provide estimated outcome figures at an agency level. If you look at the budget papers, in budget paper 1 we provide an estimated outcome for the GGS but within agency chapters, there is no equivalent presentation of estimated outcome.

CHAIR - Despite my asking for it many times, but Health do give it now. That is my first question, first line item, and they hand them over. So they're available.

Mr FERRALL - Yes, they are available. In my view, they should be available.

CHAIR - They should be printed in the budget papers. It means an extra line, I appreciate that, and it squashes things up a bit, but it is an important piece of information.

Mr FERRALL - We might have to turn it around maybe, make it go the other side. I think it is important information. One of the areas of improvement, I think, is to include that estimated outcome in agency chapters. It does not necessarily have to require amendment to the legislation. I think ultimately it is a matter of whether or not the treasurer of the day wants to do it or not do it.

CHAIR - Tony, on this, I asked for this and some of them were quite horrified because they do not bring budget paper 1 with them to the table. Anyway, aside from that, the output groups - not just at the high level of the agency, but I ask for it at output level. Is that a reasonable expectation?

Mr FERRALL - It probably gets more challenging to do that at output level. It could be done in time but I think in a practical sense, Treasury gets the information at the trilogy level, your general government financial statements - effectively, operating statement and balance sheet. We get it at that level. We need that to do the consolidation to come up with a whole lot of the General Government Sector anyway. That bit is pretty easy. When you go to the next level of potentially some of the other tables in the budget papers at the output level, it is probably not as robust anyway, in terms of its efficacy at that point.

CHAIR - If it does give a disclaimer that this could change and I accept all that, but it was very helpful in the Health portfolio because of this claim that we are spending - as we do every year - record funding in Health. The significant overspend in each of those line items was not just in one, it was across the whole lot in the estimated outcome. Okay, so what is the estimated outcome as opposed to the budget for the coming year? Not the previous budget because they do not bear that much similarity.

Mr FERRALL - The budget is largely detailed on a budget-to-budget comparison rather than an estimated outcome-to-budget comparison. In my view, it would be enhanced if all three were published, with the appropriate riders in terms of whether or not they are accurate. I am also of the view that we should provide a statement of agency SPA transactions at an agency level within the agency chapters.

CHAIR - That would really help.

Mr FERRALL - That should include the proposed purposes of opening and closing balances. If you include the SPA transactions and you have, say, an opening balance and a closing balance, particularly a closing balance because if the proposed purpose is for particular expenditure in the coming financial year, then that ought to be made -

CHAIR - This is in the budget?

Mr FERRALL - Yes, in the budget papers.

CHAIR - Yes, again, it will not be the final balance, obviously. It will be at a point in time.

Mr FERRALL - No, but there is an estimated balance. Those particular changes do not necessarily require legislative change. It is not a matter for the act per se, but I think they would enhance any reporting and any potential scrutiny of the appropriation.

CHAIR - Assuming that you do report the opening and closing balances of SPAs at an agency level, because it is not a part of the appropriation - a pretty fair game in budget Estimates, I know - but would it be reasonable to ask questions then about why there is a significant difference or whatever, if there was?

Mr FERRALL - I think it would be reasonable. In a technical sense, the budget is only the appropriation bill; in a narrow sense, purely the required financial statements, which would only be probably the GGS-level financial statements anyway. If you took that at its most narrow point, that is probably all that is required to be presented. But I think having more detail like this at an agency level, whether or not you can prosecute that in an Estimates process I think is ultimately a question for parliament as to how it forms the Estimates committee and what it enables the Estimates committees to do.

Mr WILLIE - I guess the approval to spend then facilitates these transactions.

CHAIR - It depends on how the motion is framed to refer the budget to the committee, probably.

Mr FERRALL - Secondly, there are a couple of things I'd raise in relation to the Supplementary Estimates Statement. There are two aspects to that. One is the information included with the statement and the other is the timing. The Supplementary Estimates Statement presents the supplementary estimates of all expenditure from the Public Account that is authorised under sections 20, 21, 22 and 30. It's effectively where the treasurer of the day has utilised his or her authorities under the act to either transfer appropriations or provide a RAF or various other things.

The Supplementary Estimates Statement is required to be included with the Preliminary Outcomes Statement - that's in an unaudited form, which it is - and also with TAFR, in an audited form. That satisfies the legislative or tabling requirements, but there's no requirement to provide additional information relating to the reasons or purpose of the determinations made. The Houses ultimately see a table with, across the top, five sections of the act and, going down, a series of numbers with agency name on the other side.

CHAIR - The Legislative Council does not accept that as adequate.

Mr FERRALL - No, and we, as you know, provide further support or explanation so that the Treasurer or the Leader [of the Government] in the upper House can address the Legislative Council's issues or questions. My proposition is that there's no reason why you can't include those in the Supplementary Estimates Report that's published with the preliminary outcomes and published with the TAFR.

CHAIR - Are you saying, Tony, that section 24 could be amended to require that to make it really clear on a policy position?

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Mr FERRALL - Yes. You could. Whether or not the legislation is amended is a question for others, but I think, ultimately, it would be an enhancement of the information that's provided to have the detailed explanation of the reasons for the particular determinations. I'm not sure that the list of numbers actually does anything in terms of accountability or for ensuring that the community is appropriately informed. It needs context; it needs something. I propose that be effectively included - and detail in relation to the use of the transfer provisions, the rollovers, Treasurer's Reserve, variations to SPPs and other Commonwealth funding.

In regard to timing, most of those determinations are made late in the financial year, but they're not necessarily all made late in the financial year. Again, I don't see any fundamental reason why you couldn't be required to table a statement quarterly, including annual return if appropriate. Where a determination is made, I think it's quite reasonable that that determination is then made public through a quarterly statement, which could be tabled.

CHAIR - That would require a change to section 24(1), which I have asked for in the past, too.

Mr FERRALL - The old act had a quarterly tabling -

CHAIR - Which was mostly zero to save[?], but - hmm.

Mr FERRALL - Again, in terms of just openness and transparency, I think there's no reason it can't be done on a quarterly basis, and if the answer is there's no determinations, then it's not a particularly onerous tabling task.

CHAIR - No. On that, Tony, it would also flag if there were additional state-source revenues available, but you could say that the Treasurer's Reserve increased.

Mr FERRALL - We don't table anything on the Treasurer's Reserve. The Treasurer's Reserve can only increase at the last point in the financial year, when you think about it. If you were sitting in December and we thought the revenues for the year were going to be higher, you've got to ensure that it doesn't go down in the second half of the year, so we don't do anything in terms of changing the Treasurer's Reserve in a within-year sense.

CHAIR - Acknowledging it is not money, is asking about what their balance in the Treasurer's Reserve is at any time a reasonable question to be asking? In February or March, whenever we're back -

Mr FERRALL - You would get that quarterly if you had this quarterly report. What it would show is that if there's zero commitments against the Treasurer's Reserve in the first quarter then it's still what it was at the start, but if it's the first or second quarter and there's \$50 million or \$20 million of commitment, or whatever it might be, then that would be disclosed in that quarterly statement.

The third area I would probably suggest for improvement is in relation to the Treasurer's Instructions. As members would be aware, with the introduction of the new act, we move to what we called a more principles-based approach to the Treasurer's Instructions. They've got generally less detail and less prescription in them than the old Treasurer's Instructions we had previously. I think that has left some gaps in regard to specific compliance from agencies. Whilst for some Treasurer's Instructions it's quite appropriate for the instructions to be written

in the sense as a principle, I think there are some elements and some instructions where conformance and sort of standardisation and clear practices is probably more warranted across agencies. Also, not all but some agencies are raised with me that they'd welcome more direction in relation to some Treasurer's Instructions because principles are sometimes too wide and difficult for them to interpret, and also trying to ensure that they can be confident they've done the right thing as opposed to thinking they have because they think they're in the right space, as opposed to maybe a direction in some cases. Treasury had always intended to this after the introduction of the FMA. Again, I would flag that the reality is, the FMA has only been in place since 2019, so it's only really in place for three years. One of those years it was sort of a lost cause for everybody, for various reasons. It hasn't actually been in that long and I think it's an appropriate time to look at it, particularly to start going through the Treasurer's Instructions and look at which ones ought to be more explicit in detail and those which might stay as principles-based.

CHAIR - That would be a job for Treasury to do?

Mr FERRALL - Yes. It's not a small job either. If you go through the Treasurer's Instructions -

CHAIR - How many all up are there?

Mr FERRALL - In Treasury?

CHAIR - Yes. Treasurer's Instructions, not people.

Mr FERRALL - Oh, Treasurer's Instructions.

Mr WILLIE - Is there a routine review sort of process to work through?

Mr FERRALL - We don't really. We keep trying to, but like every agency, we just get swamped with other things. The intention always was that they would be reviewed after a period of time of the implementation of the act. As I said, it's probably about the right time now the act's really been in place for two, two-and-a-half years.

Ms PETERSON - We have 21 financial control Treasurer's Instructions, four on financial reporting, two on budget, and then there are procurement ones as well.

Mr WILLIE - Should there be a routine framework review within the act?

Mr FERRALL - I probably wouldn't flag that a routine is necessary. Good practice is that everything should be reviewed periodically. I wouldn't like to see that they must all be reviewed - I mean, it'd be a bit like you getting all the reports in parliament, if every two years, Treasury had to review all of the TIs. The way they get reviewed at the moment is more in relation to where we see an issue and there needs to be something revised in the TI potentially, or where we issue - or get feedback, or issue a new TI sometimes.

Mr WILLIE - Or if you see a bad decision that kind of complies with the TI?

Mr FERRALL - To be fair, I don't think we see many what I would couch as bad decisions. I think there is an element though where good people are doing their best to conform,

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but if you've given them very wide parameters, it can be challenging for them sometimes. Then, when you ask somebody, if the principle is appropriate financial management, you get a different views as to what that might mean.

CHAIR - To look at how that might occur if there was to be a review more broadly to look at which - clearly, there are some TIs that are more principles-based than others, as you've identified, would you go to the departments and ask them for feedback on that?

Mr FERRALL - I think we'd have to do it as a broad review with consultation. Again, there's a number of competing parties, I guess, ultimately, in terms of the Treasurer's Instructions. There will be different views from stakeholders as to how broad or how principled they should be, or how strict or black letter. I think we'd have to work through that and sort of consult both with departments and probably the Public Accounts Committee and others as well.

In terms of establishing better-practice guidelines, we've had discussions about guidelines in other forms, too, but guidelines are just guidelines. They don't have any legislative weight, unlike the Treasurer's Instructions. Do you think that there's not actually that document now?

Mr FERRALL - No, there are better-practice guidelines. We have those. They are intended to literally give guidance underpinning a principle, but I think in some - but not all - cases, it just gets more challenging for agencies to try to follow the requirements of a principle even with a guideline.

CHAIR - So you probably need the review.

Mr FERRALL - Lastly, there are some other what I call minor issues around the act. I think there are some provisions in the act which would benefit from redrafting and in some cases improving definitions. For example, the definition of the Public Account can be challenging even though it might seem simple because a Special Purpose Account or a Specific Purpose Account is within the Public Account, and so is the appropriation, in a sense. When you start talking about the Public Account, within the act itself the definition is actually used, in my view, in two slightly different ways in a couple of the clauses in the act. I think it is a tidy-up, not a fatal flaw, but it would make it a bit easier.

There are also some areas in the act where we talk about 'account' and it probably means a ledger as opposed to a bank account. Now, that's again generally apparent from the context which is related to the specific provision. I think it is easy for people to get confused between whether it is a ledger account or it is a bank account per se. I think there is some tidying-up around those provisions which would then help clarify some of the drafting in the current bill.

CHAIR - When you look at the definition of 'accounts', it really talks about ledgers doesn't it, as opposed to where the money sits?

Mr FERRALL - Yes, and it talks about an 'authorised deposit-taking institution' but when you go into the act and you start to look at accounts and where it's used, it gets -

CHAIR - It gets blurred.

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Mr FERRALL - If you understand what we believe is intended, it is not confusing. I think it needs some clarity.

Lastly, in terms of provisions, in the supply and supplementary appropriation bills, or the sections in relation to supply and supplementary appropriation bills, there is no specific reporting or supporting information requirements for both the supply and the supplementary appropriation bills. Although governments have always provided additional supporting information, there is no requirement to do that. I think there ought to be a specific provision included in the act to specify what additional information requirements are, similar to section 19, which deals with the ordinary appropriation. Practically, it has to be less than that because that is supported by the budget papers. I think there should be an explicit provision detailing, or at least indicating, what supporting information would be required.

CHAIR - With both supply and supplementary appropriation bills, there is a second reading speech that often outlines some of that. But you're suggesting a little bit more detail. It's probably different if you're just buying a power station, which was quite a few years ago, just one thing, so it is easy to identify what the money was for, but where there's a range of things, which often it is, a more formal breakdown as papers attached to the bill, notionally.

Mr FERRALL - Yes. The budget papers currently form supporting information for the bill; there's an explicit reference in the bill that's tabled in parliament, which is how you do your chasing down from a high-level appropriation down to an output level; you can only do that in the budget papers. There is no similar provision in relation to supply or supplementary appropriation. I think it is less of an issue with supply because what you are doing is enabling the continuation of the ordinary services of government through that supply period, if you introduce a supply bill. But I think with a supplementary appropriation, there possibly or potentially could be some greater transparency by providing more detailed information supporting it.

Again, from my history, all governments have provided that information effectively through speeches or through other aspects when they seek passage of a supplementary appropriation, but it probably warrants having a specific document tabled which provides more of that rather than relying in the speech or the questions in the debate, et cetera.

Mr WILLIE - With regard to the Auditor-General's submission, have you had time to read that and what do you think about the recommendations he has put forward.?

Mr FERRALL - No, I have not gone through his submission in detail. Apologies.

Mr WILLIE - No, that is all right.

CHAIR - That was my question, too. I will look more of it up on our website. I am wondering whether you would be willing to comment on some of the things that he has identified that are not necessarily along the lines that your suggestions cover. He raises ethical considerations, for example, with regard to the role and function of governments in their spending. For example, the long title of the act states it 'provides for the management of the public finance to the state of Tasmania in an economical, efficient and effective manner' and he is wondering, particularly in light of some of the moves in the Commonwealth and other areas, whether 'ethical' should be included in that consideration.

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Mr FERRALL - I am not against that sort of consideration but I think you have to be very careful of what that might mean. There is no totally objective view of 'ethical'.

CHAIR - I hope we do act ethically anyway.

Mr FERRALL - We do, but there can be differing judgments as to how ethical something is or isn't.

CHAIR - And whose ethics we are talking about.

Mr FERRALL - You could run into some strange views around whether it is ethical for particular activities to occur in a public hospital, for example, but there would be different views on that. I would be careful if there are additional requirements that people are trying to meet in that sort of respect, and even with the existing ones, to be fair to the people who are trying to implement the legislation, there ought to be clear definitions of what the expectation is.

Mr WILLIE - You have put forward some recommendations that you talked about today, such as transparency around Specific Purpose Accounts.

CHAIR - Yes, some similar areas. We could always write to you if we want to get some more explanation on some of those matters.

Mr FERRALL - Yes, happy to.

CHAIR - Thank you, Tony, it has been really helpful to hear your thoughts today, having used the act now for three years now. It is a bit of a blur, one of those years, as you said. As a user and someone who is trying to understand how it is supposed to work and what level of reporting I can expect to see, it does need to be a bit clearer in some spots; in order for us to get any open and transparent reporting, that is important.

I don't know whether you want to go near this area, but in the Public Accounts Committee we were talking about the funding for the Treasurer's Reserve for election commitments, when there are other mechanisms like supplementary appropriations and a budget, obviously, acknowledging sometimes the time frames there. As I did say to our previous witness, the government of the day, newly elected on the back of election commitments, controls a sitting schedule, and get us back fairly quickly if they wanted to, one would expect, because we turn up when they say. Do you think there is an issue there and it should be a more separate and transparent process of funding for those purposes?

Mr FERRALL - The process, as I have said to the Public Accounts Committee, was and is transparent. I don't think there is an issue of transparency; I think, probably from a parliamentary point of view, or maybe even a political point of view, it is a question of the timeliness of that transparency and whether, when those commitments were in the subsequent appropriation bills, there was appropriate scrutiny of those at the time and whether, if members of parliament had a concern about them, they should have dealt with them at that point. But if you adopted the proposal in terms of having the supplementary Estimates reported effectively quarterly, then those RAFs would have been reported on a more timely basis, which might have assisted people in their views or their debate.

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CHAIR - That is another way of more timely reporting of it, even though that is the decision that is made as opposed to a decision that has to get the approval of parliament.

Mr FERRALL - Yes. Parliament has given the treasurer of the day the capacity to utilise the Treasurer's Reserve for a whole range of very appropriate reasons. In my view, the only real question in relation to the specific matter you have mentioned is whether or not transparency could be enhanced by maybe more timely reporting of those matters, which I think it could be with a quarterly report.

Mr WILLIE - We heard from the previous witness that if that process is used that it should be gazetted; does that not happen?

Mr FERRALL - Well, what I would question or ask is, what does gazetting do, as opposed to it being reported and tabled?

Mr WILLIE - Well, I suppose it is effectively the same thing, isn't it?

Mr FERRALL - Purely, if gazetted means putting it in the *Gazette*, I am not sure, apart from when the *Gazette* used to be nailed on the door of various places so people could read it and see it, I am not sure in the current world order that that would add much in terms of public awareness and being made transparent. I'm not against it, but it is just another step.

Mr WILLIE - Reporting mechanism.

CHAIR - Tony, in that case, if there was a RAF- or the Treasurer's Reserve, by way of RAF - utilised to fund election commitments, there would be no way that you could then push that out to the very end of the financial year legitimately, could you? We know that within departments, they will try to manage within their allocation; that is when they get to the end and think, 'Oh, actually, we're not going to make it without some additional funding in this area' and we talked about that earlier. We would expect them to do that and use the funds they have available to try to manage within their budget, but an election commitment is a new expenditure, something that is not part of their budget, obviously, because it would have been in the budget, so it is not in the budget. If we did the more frequent quarterly reporting, are you fairly confident it would show up there rather than be pushed out to a June RAF?

Mr FERRALL - It should be. An accountable authority cannot expend money on something they do not have an appropriation for or some other lawful means, so if it was a new purpose, then the mechanism for that is not an ordinary RAF approved by the Treasurer; as a new purpose, it would have to be a RAF approved by the Governor and then, instead of it being reported quarterly, it would be shown in the report. I think the framework is appropriate; it is just a question about the timing of some of those things.

A government which is elected has to be enabled with the capacity to put in place its broad election commitments. That seems to stand to reason to me that if there are lawful mechanisms in the Financial Management Act which enable the government to facilitate its commitments of the day on a timely or a reasonably timely basis, then that is what they are authorised to do.

Mr WILLIE - Do you think there is scope for guidelines and things like that around grant funds in addition to the Financial Management Act to enhance transparency?

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Mr FERRALL - The comment I would make is that different jurisdictions deal with this differently but most of them have a similar set of challenges around how particular commitments might be dealt with. My personal view is the Commonwealth probably has a slightly better framework - I'm not saying it is perfect but -

Mr WILLIE - Even if it is ignored.

Mr FERRALL - It does have a better framework, particularly in relation to grants administration because it is effectively a requirement that there is an existing grant program that the particular commitments are assessed against. Again, I agree it is not perfect but it might be another way of dealing with it.

Mr WILLIE - There is a bit more accountability.

CHAIR - Would that sit outside the Financial Management Act though, or would it sit within it?

Mr FERRALL - I think it would probably be outside the Financial Management Act.

CHAIR - The Charter of Budget Responsibility?

Mr FERRALL - Well, I don't know; I think you are probably leading more into the Constitution Act in terms of how things occur around elections. They are all acts and it could be put in any act, but it is not purely a financial management issue.

Mr WILLIE - And outside the scope of this inquiry.

CHAIR - Is there anything you wish you had told us that you haven't, Tony?

Mr FERRALL - What about things I've told you that I shouldn't have?

CHAIR - That's a matter for you.

Mr FERRALL - No, no, that's fine, and we will get those other bits and pieces to you.

CHAIR - Thank you.

THE WITNESSES WITHDREW.

The committee adjourned at 12.24 p.m.