

# **Financial Administration and Audit and Another Act Amendment Bill 2007**

## **Explanatory Notes**

### **General Outline**

### **Policy Objectives**

The Bill amends the *Financial Administration and Audit Act 1977* and the *Government Owned Corporations Act 1993* to reflect the amendment to the timeframe for the completion of Queensland public sector agencies' audited financial statements by four weeks and a number of other amendments to improve the efficiency of processes under the Act.

### **Reasons for the Bill**

Annual reports are tabled in the Legislative Assembly in terms of the Act by Queensland public sector entities. The reports comprise information to enable the assessment of the efficiency, effectiveness and economy of the entity. The reports also contain a copy of each set of general purpose financial statements prepared for the year and the certificates and auditor-general's report on the statements.

In September 2006, the Australian Accounting Standards Board introduced a new standard AASB 1049 *Financial Reporting of General Government Sectors by Governments*. This new standard will require the State to prepare an additional set of audited financial statements for inclusion in the whole of Government's annual *Report on State Finances*.

The timeframe for the completion of Queensland public sector agencies' audited financial statements is being brought forward by four weeks to ensure the preparation of annual reports and the annual *Report on State Finances* in the required timeframe.

A number of other amendments are also being made to improve the efficiency of processes under the Act.

## **Achievement of the Objectives**

The proposed changes are to:

- provide that the Queensland public sector agencies are to complete their audited financial statements no later than two months after the end of the financial year to which the statements relate;
- remove the requirement for a department to be listed in the *Financial Administration and Audit Regulation 1995* before it can enter into derivative transactions;
- provide the Treasurer with the authority to make investments with, or on deposit with, the Queensland Investment Corporation or the Queensland Treasury Corporation for investment in any fund of either of the corporations; and
- delete certain closed funds from Schedule 2 of the *Financial Administration and Audit Act 1977*.

## **Alternatives to the Bill**

There are no alternative methods for achieving the objectives.

## **Estimated Cost for Government Implementation**

There are likely to be no significant administrative costs to Government of implementing the proposed Bill.

## **Consistency with Fundamental Legislative Principles**

The Bill is consistent with fundamental legislative principles.

## **Consultation**

Consultation was undertaken with all departments, including shared service providers, government owned corporations, and the Queensland Audit Office in relation to the proposed changes to reporting timeframes. Departments were asked to invite comments from the statutory bodies under their Minister's portfolio of the proposed changes.

## **Notes on Provisions**

### **Part 1                      Preliminary**

Clause 1 cites the short title of the Bill.

Clause 2 provides for commencement of the Bill for a day to be fixed by proclamation.

### **Part 2                      Amendment of the Financial Administration and Audit Act 1977**

Clause 3 states that Part 2 amends the *Financial Administration and Audit Act 1977*.

Clause 4 provides for the legislative requirements for the timing of the completion and audit of the financial statements for a financial year for departments. The legislation currently requires departments to have their financial statements completed and audited no later than three months from the end of the financial year; this is now being amended to two months.

Clause 5 provides the Treasurer with the authority to make investments with, or on deposit with, the Queensland Investment Corporation or the Queensland Treasury Corporation for investment in any fund of either of the corporations that the Treasurer thinks fit.

Section 41(2) of the *Financial Administration and Audit Act 1977* provides the Treasurer with the power to invest all or part of the net credit balance of the Treasurer's Consolidated Fund Bank Account. Section 41(3) enumerates the investment vehicles available to the Treasurer, including any fund of Queensland Investment Corporation or Queensland Treasury Corporation that has been approved by Governor in Council (per section 41(3)(d)).

With respect to funds invested with Queensland Investment Corporation under that subsection, the Treasurer presently determines the overall

investment strategy for the investment of the funds (e.g. the proportion of funds allocated to asset classes such as equities, property, fixed interest etc). These moneys are invested through a series of funds dedicated to specific asset classes and investment management styles. From time to time, new funds are added and others abolished (or closed to new moneys) in line with changes, for example, investment strategy and trust structures.

To ensure those funds required to achieve the State's strategic investment objectives are appropriately authorised, the approval of Governor in Council is currently required pursuant to section 41(3)(d) of the *Financial Administration and Audit Act 1977*.

Consistent with other provisions in the Act with respect to borrowings, bank accounts etc, it is considered appropriate that the power to approve relevant investments be delegated to the Treasurer.

Clause 6 removes the requirement to amend the *Financial Administration and Audit Regulation 1995* prior to Treasurer's approval being sought for a department to enter into derivative transactions.

The current relevant section provides for three relevant limbs to that section, providing that a department may only enter into derivative transactions if:

- (a) it is prescribed by regulation (*Financial Administration and Audit Regulation 1995* – “the Regulation”) as a department that may enter into derivative transactions;
- (b) the Treasurer's approval has been given to undertake the derivative transaction or derivative transactions of the type concerned; and
- (c) the department enters into the derivative transaction to hedge against a risk to which the department is or will be exposed.

The need to prepare subordinate legislation and seek Executive Council approval to amend the approved departments listed in the Regulation does not permit the timely consideration of requests to undertake derivative transactions, and serves to limit the State's capacity to implement hedging strategies as market opportunities arise.

Vesting sole power to grant approvals with the Treasurer is consistent with the provisions regulating departments' exercise of a range of other powers under the *Financial Administration and Audit Act 1977*, including the powers to borrow (section 40A), to invest or lend an amount (section 40C) and to form a company (section 44).

Clause 7 provides the legislative requirements for the timing of the completion and audit of the financial statements for a financial year for statutory bodies. The legislation currently requires statutory bodies have their financial statements completed and audited no later than three months from the end of the financial year; this is now being amended to two months.

Clause 8 provides for the amendment of Schedule 2 (Continuing Funds) by their removal, to reflect the Department of Natural Resources and Water and Treasury Department's request to close the following funds by the Treasurer under section 31 of the Act:

- Coal Industry Fund
- Coal Industry Welfare Fund
- Artesian Bores and Water Supply Areas Working Account
- Water Operations Fund
- Franchise Fees Compensation Fund
- Government Schemes Agency Fund

### **Part 3                      Government Owned Corporations Act 1993**

Clause 9 states that Part 3 amends the *Government Owned Corporations Act 1993*

Clause 10 provides for the amendment of Schedule 3 *Application of Financial Administration and Audit Act 1977 to company Government Owned Corporations (GOC)* and prescribed company Government Owned Corporation subsidiaries.

Clause 10 (1) provides for the timeframes for the completion and audit of financial statements for company government owned corporations by no later than two months after the end of the financial year.

The above clause will replace the current requirement to prepare and give annual financial statements to the auditor-general within two months after the end of each financial year.

Clause 10 (2) provides for the timeframes for the completion and audit of financial statements for a company government owned corporation subsidiary by no later than two months after the end of the financial year.

The above clause will replace the current requirement to prepare and give annual financial statements to the auditor-general within two months after the end of each financial year.