



16 December 2008

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Dear Toni

Public Finance in Victoria Practices & Legislation Discussion Paper

CPA Australia thanks the Victorian Department of Treasury and Finance for the opportunity to comment on the discussion paper Public Finance in Victoria Practices & Legislation.

We support the initiatives in reviewing the public finance practices and legislation. We also support the Victorian Government and the Council of Australian Governments in adopting the outcome approach in strategic planning, accounting and reporting. Our specific comments are in Attachment 1.

We note that, in the Access Economics report of March 2008 titled 'Fiscal Transparency: Australian States and Territories', Victoria has been ranked best in the fiscal transparency rankings with an A plus rating. We congratulate the Victorian Government on this achievement and the significant role of the Department of Treasury and Finance in making this possible.

CPA Australia strongly believes that the Victorian Government, as part of this review, takes the lead in Australia in making further disclosure improvements in the reporting of public private partnerships. These improvements include further disclosures relating to the liabilities and commitments and on-going 'whole-of-life' reporting on the performance of the public private partnership arrangements.

Please contact Dr Mark Shying, our Senior Policy Adviser – Financial Reporting & Governance on 03 9606 3903, should you wish to discuss this submission further.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Geoff Rankin', written in a cursive style.

Geoff Rankin FCPA
Chief Executive Officer

cc: M Shying

Public Finance in Victoria: Practices & Legislation

3. Possible directions for reform

3.1 An outcomes framework

3.1.1 Planning

Should a requirement to develop strategic plans be embedded in legislation?

If so, should strategic plans be at the level of:

- whole-of-government
- departments
- entities?

What form should these strategic plans take?

What accountability arrangements should be established for performance at input, output and outcome levels?

In terms of reporting, what do you consider to be the appropriate balance between:

- financial and non-financial information
- prospective and retrospective information?

CPA Australia supports the incorporation of the requirements for strategic plans in legislation. However, in view of the dynamic nature of the public sector environment, the legislative requirements would have to be broad with any specific requirements spelt out in either finance regulations or directions.

From a cost and benefit viewpoint CPA Australia suggests that the strategic plans should be at higher levels, i.e. at whole-of-government and departmental levels and over a time frame of more than one parliamentary term. However, material entities should not be discouraged from adopting the framework.

The strategic plans should have a clear indication of policies, outcomes, outputs and inputs and associated costs and benefits. Periodic reviews and updates of strategic plans need to occur during the time frame/period originally set for the strategic plan.

We suggest that the audit and oversight bodies be part of the accountability arrangements in the review and evaluation for performance at input, output and outcome levels.

In reporting, we strongly believe that financial information should continue to have an important role especially with the costing of inputs and outputs in achieving the outcome. In addition we strongly support prospective information especially disclosure on fiscal sustainability of policies and outcomes. Comparative information, e.g. inter-state comparison of similar services, would be an excellent add-on.

3.1.2 Providing and allocating resources

Does the current Victorian parliamentary appropriation system serve any continuing purpose?

Should appropriations authorise:

- payments from the consolidated fund at the departmental / output level
- payments from the consolidated fund against each outcome
- drawing down of the consolidated fund to the level deemed necessary to achieve the government's desired outcomes?

Should appropriations be annual or multi-year, or a mix of both?

CPA Australia's view is that the Victorian parliamentary appropriation system should reflect the relevant changes resulting from this review. We prefer a mix of annual and multi-year appropriations.

We do not have a specific preference on how the appropriations should be drawn down. However, expediency without compromising accountability should be the guide.

3.1.3 Accountability

Should a requirement to report progress against strategic plans be legislated?

Question: If so, should reporting of progress against strategic plans be at the level of:

- whole-of-government
- departments
- entities?

What accountability arrangements should be established for performance at input, output and outcome levels?

In terms of reporting, what do you consider to be the appropriate balance between:

- financial and non-financial information
- prospective and retrospective information?

Yes, reporting requirements re progress against strategic plan need to be legislated. Following our recommendation in 3.11, the progress reports should be at whole-of-government and departmental levels. However, material entities should not be discouraged from adopting the reporting framework.

CPA Australia recommends that the Department of Treasury and Finance works in conjunction with public sector stakeholders including the various state governments and the Council of Australian Governments to establish relevant performance frameworks and reporting.

3.2 Modernisation and simplification

3.2.1 Entities

To which entities should the Public Finance Bill apply?

Should all elements of the Bill apply equally to all entities (for example, financial management, governance, reporting, procurement, compliance frameworks)?

If a differential framework were to be adopted, what form would it take and what criteria would it take into account (for example, financial position, materiality, public interest)?

CPA Australia supports the view that the Public Finance Bill should apply to all entities. However, the extent of requirements should vary based on such criteria as materiality, financial position, public interest, costs and benefits, but without sacrificing accountability, transparency and good practice objectives.

3.2.2 Accrual-based appropriates and flexibility

What features of the cash-based system need to be retained?

What other technical provisions are no longer required?

CPA Australia supports any initiatives to review and remove any existing cash-based features. CPA Australia strongly recommends that full accrual accounting systems should be adopted throughout.

3.2.3 Reporting

What options for modernising and simplifying reporting should be considered?

CPA Australia commends the initiatives taken by the Victorian Government in making its annual and quarterly reports available on web. We support further initiatives in making available concise but meaningful and relevant reports. In this regard, we are particularly impressed with some of the Victorian Local Councils which have taken the first step in making their annual reports user-friendly by incorporating a plain English explanation of their financial statements.

3.2.4 Other finance legislation

Are the proposals for related legislation appropriate?

Yes, the proposals for related legislation are appropriate.

3.2.5 Procurement

Should procurement principles be incorporated into the new Public Finance Bill?

What functions associated with procurement need to remain entrusted to a statutory body or be independent of government?

Is the scope and nature of procurement controls sufficient?

Yes, the new Public Finance Bill should incorporate procurement principles.

3.2.6 Principle-based legislation

Should the Public Finance Bill be drafted as principles-based legislation?

Yes, CPA Australia agrees that the Public Finance Bill be drafted as principles-based legislation articulating high-level obligations with subordinate legislations (standards and regulations) supported by policy statements and guidance materials. We support a transparency approach of having the legislative framework in its entirety readily available to the public.