Speech by

Hon. Andrew Fraser

MEMBER FOR MOUNT COOT-THA

Hansard Tuesday, 9 October 2007

FINANCIAL ADMINISTRATION AND AUDIT AND ANOTHER ACT AMENDMENT BILL

Second Reading

Hon. AP FRASER (Mount Coot-tha—ALP) (Treasurer) (2.30 pm): I move—

That the bill be now read a second time.

The bill seeks to improve the timeliness of the preparation of annual financial statements of departments, statutory bodies and government owned corporations. Another objective is to improve the efficiency of processes under the Financial Administration and Audit Act.

The proposed changes are as follows: the bill provides for the completion and audit of the financial statements for a financial year for departments, statutory bodies and government owned corporations no later than two months from the end of the financial year.

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 annual *Report on State Finances*. To ensure the timely completion of the additional financial statements the time frames for the completion of Queensland public sector agencies' audited financial statements must be shortened by four weeks.

The act currently requires departments and statutory bodies to have their financial statements completed and audited no later than three months from the end of the financial year. The Government Owned Corporations Act 1993 requires government owned corporations to prepare and provide their annual financial statements to the Auditor-General within two months after the end of each financial year. This bill provides that the audit of the statements, and audit report for the statements, is to be completed no later than two months after the end of each financial year.

I move that the remainder of my speech be incorporated into *Hansard*.

Leave granted.

The Bill also provides the Treasurer with the authority to approve a department to enter into derivative transactions and removes the requirement to list a department in the Administration and Audit Regulation 1995 prior to it entering into such transactions.

The Act currently provides that a department may only enter into a derivative transaction if it is both prescribed by regulation and has obtained the prior approval of the Treasurer to enter into the particular transaction or transactions of the type concerned.

The requirement to draft subordinate legislation and seek the approval of Governor in Council leaves open the risk that a department may be prevented from implementing hedging strategies in a timely manner where it has not previously been listed by regulation. Furthermore, the current arrangements are inconsistent with the provisions regulating departments' exercise of a range of other powers under the Act, including the powers to borrow, to invest or lend an amount and to form a company.

The delegation of executive power, as proposed in the Bill, will align the provisions relating to derivative transactions with the approval arrangements for departments' exercise of other powers under the Act, and acknowledges the central role of the Treasurer in managing financial risk of the State.

The Bill also 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.

The Act currently provides the Treasurer with the power to invest all or part of the net credit balance of the Treasurer's Consolidated Fund Bank Account. It also outlines the investment vehicles available to the Treasurer, including any fund of QIC or QTC that has been approved by Governor in Council.

With respect to funds invested with QIC 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 in line with changes in investment strategy, trust structures etc.

Governor in Council approval is currently required to make these investments.

Given the Treasurer's role in managing the State's finances it is considered appropriate for the Treasurer to be delegated the executive powers to invest or deposit monies with QIC or QTC.

The approval of Governor in Council will still be required for any investments not undertaken either through QTC or QIC.

Finally the Bill deletes the reference to certain closed funds in the Act.

The Department of Natural Resources and Water and Treasury Department have requested that six funds be deleted from Schedule 2 (Continuing Funds) as they have now been formally 'closed' by the Treasurer under section 31 of the Act. The Departments have advised that the funds are no longer required and have no moneys standing to their credit.

Mr Speaker, I commend the Bill to the House.