



Appropriation Bill (No. 2) 2014

Report No. 49
Finance and Administration Committee
October 2014

Appropriation Bill (No.2) 2014

Report No. 49

Finance and Administration Committee

October 2014

Finance and Administration Committee

| | |
|---------------------|--|
| Chair | Mr Steve Davies MP, Member for Capalaba |
| Deputy Chair | Mr Curtis Pitt MP, Member for Mulgrave |
| Members | Mrs Liz Cunningham MP, Member for Gladstone Dr Bruce Flegg MP, Member for Moggill Mr Reg Gulley MP, Member for Murrumba Mrs Freya Ostapovitch MP, Member for Stretton Mr Mark Stewart MP, Member for Sunnybank |

| | |
|--------------|--|
| Staff | Ms Deborah Jeffrey, Research Director Dr Maggie Lilith, Principal Research Officer Ms Lynette Whelan, Executive Assistant Mrs Julie Fidler, Executive Assistant |
|--------------|--|

| | |
|---------------------------------------|--|
| Technical Scrutiny Secretariat | Ms Renée Easten, Research Director Mr Michael Gorringe, Principal Research Officer Ms Tamara Vitale, Executive Assistant |
|---------------------------------------|--|

| | |
|------------------------|--|
| Contact details | Finance and Administration Committee Parliament House George Street Brisbane Qld 4000 |
|------------------------|--|

Telephone +61 7 3406 7576

Fax +61 7 3406 7500

Email fac@parliament.qld.gov.au

Web www.parliament.qld.gov.au/fac

Acknowledgements

The Committee thanks those who briefed the Committee, gave evidence and participated in its inquiry. In particular the Committee acknowledges the assistance provided by Queensland Treasury and Trade.

Contents

| | |
|---|------------|
| Abbreviations | v |
| Glossary | v |
| Chair's Foreword | vi |
| Recommendations | vii |
| 1 Introduction | 1 |
| 1.1 Role of the Committee | 1 |
| 1.2 Referral | 1 |
| 1.3 Committee Process | 2 |
| 1.4 Submissions | 2 |
| 1.5 Public briefing | 2 |
| 1.6 Policy objectives of the Appropriation Bill (No.2) 2014 | 2 |
| 2 Examination of the <i>Appropriation Bill (No.2) 2014</i> | 3 |
| 2.1 Reasons for the Bill | 3 |
| 2.2 Stakeholder consultation | 3 |
| 2.3 Other appropriation issues | 4 |
| 2.4 Analysis of Consolidated Fund Financial Report 2013-14 | 5 |
| 2.4.1 Transfers | 6 |
| 2.4.2 Unforeseen Expenditure | 8 |
| 2.4.3 Lapsed Appropriation | 10 |
| 2.5 Short title – Clause 1 | 13 |
| 2.6 Supplementary appropriation for 2013-14 based on unforeseen expenditure included in the consolidated fund financial report – Clause 2 | 13 |
| 3 Fundamental legislative principles | 14 |
| 3.1 Issues identified | 14 |
| 3.2 Explanatory notes | 14 |
| 3.3 Committee Comments | 15 |
| Appendices | 16 |
| Appendix A – Officers appearing on behalf of the department at the public departmental briefing – Tuesday 30 September 2014 | 17 |

Abbreviations

| | |
|--------|--|
| CFFR | Consolidated Fund Financial Report 2013-14 |
| DEWS | Department of Energy and Water Supply |
| DSITIA | Department of Science, Information Technology, Innovation and the Arts |
| FAA | <i>Financial Accountability Act 2009</i> |
| FAC | Finance and Administration Committee |
| FLP | Fundamental Legislative Principles under the <i>Legislative Standards Act 1992</i> |
| LSA | <i>Legislative Standards Act 1992</i> |
| QAO | Queensland Audit Office |
| QTT | Queensland Treasury and Trade |

Glossary

| | |
|----------------|---|
| Acts | All Acts referred to in this report refer to Queensland Acts unless otherwise specified |
| the Bill | <i>Appropriation Bill (No.2) 2014</i> |
| the Committee | Finance and Administration Committee |
| the department | Queensland Treasury and Trade |

Chair's Foreword

This report presents a summary of the Committee's examination of *Appropriation Bill (No.2) 2014*. The Committee considered this Bill in conjunction with the *Appropriation (Parliament) Bill (No.2) 2014*, however has reported separately on both Bills.

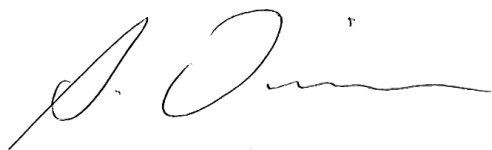
The Committee's task was to consider the policy outcomes to be achieved by the legislation, as well as the application of fundamental legislative principles – that is, whether it has sufficient regard to rights and liberties of individuals and to the institution of Parliament.

The public examination process allows the Parliament to hear views from the public and stakeholders they may not have otherwise heard from, which should make for better policy and legislation in Queensland.

The Bill provides for supplementary appropriation for unforeseen expenditure that occurred in the 2013-14 financial year. The supplementary appropriation sought is based on the Consolidated Fund Financial Report 2013-14.

I wish to thank the departmental officers for meeting with the Committee and for their cooperation in providing information to the Committee on a timely basis.

Finally, I would like to thank the other Members of the Committee for their hard work and support.



Steve Davies MP
Chair

October 2014

Recommendations

Standing Order 132 states that a portfolio committee report on a bill is to indicate the Committee's determinations on:

- whether to recommend that the Bill be passed
- any recommended amendments
- the application of fundamental legislative principles and compliance with the requirements for explanatory notes.

The Committee has made the following recommendations:

Recommendation 1

2

The Committee recommends that the *Appropriation Bill (No.2) 2014* be passed.

1 Introduction

1.1 Role of the Committee

The Finance and Administration Committee (the Committee) is a portfolio committee established by the *Parliament of Queensland Act 2001* and the Standing Orders of the Legislative Assembly on 18 May 2012.¹ The Committee's primary areas of responsibility are:

- Premier and Cabinet; and
- Treasury and Trade.

Section 93(1) of the *Parliament of Queensland Act 2001* provides that a portfolio committee is responsible for examining each bill and item of subordinate legislation in its portfolio area to consider –

- a) the policy to be given effect by the legislation;
- b) the application of fundamental legislative principles to the legislation; and
- c) for subordinate legislation – its lawfulness.

Standing Order 132(1) provides that the Committee shall:

- a) determine whether to recommend that the Bill be passed;
- b) may recommend amendments to the Bill; and
- c) consider the application of fundamental legislative principles contained in Part 2 of the *Legislative Standards Act 1992* to the Bill and compliance with Part 4 of the *Legislative Standards Act 1992* regarding explanatory notes.

Standing Order 132(2) provides that a report by a portfolio committee on a bill is to indicate the Committee's determinations on the matters set out in Standing Order 132(1).

Standing Order 133 provides that a portfolio committee to which a bill is referred may examine the Bill by any of the following methods:

- a) calling for and receiving submissions about a bill;
- b) holding hearings and taking evidence from witnesses;
- c) engaging expert or technical assistance and advice; and
- d) seeking the opinion of other committees in accordance with Standing Order 135.

1.2 Referral

The Treasurer and Minister for Trade, the Hon Tim Nicholls MP, introduced the *Appropriation Bill (No.2) 2014* to the Legislative Assembly on 10 September 2014. The Bill was referred to the Committee. The Legislative Assembly agreed to a motion requiring the Committee to report to the Legislative Assembly by 9 October 2014.

¹ *Parliament of Queensland Act 2001*, s88 and Standing Order 194

1.3 Committee Process

The Committee's consideration of the Bill included calling for public submissions and a public departmental briefing.

The Committee also considered expert advice on the Bills' conformance with fundamental legislative principles (FLP) listed in Section 4 of the *Legislative Standards Act 1992*.

The Committee considered this Bill in conjunction with the *Appropriation (Parliament) Bill (No.2) 2014*, however has reported separately on both Bills.

1.4 Submissions

The Committee advertised its inquiry into the Bill on its webpage on 12 September 2014. The Committee also wrote to stakeholder groups inviting written submissions on the Bill.

The closing date for submissions was Wednesday 24 September 2014. The Committee did not receive any written submissions.

1.5 Public briefing

The Committee held a public briefing on the Bill with officers from Queensland Treasury and Trade (QTT) on Tuesday 30 September 2014. A list of officers who gave evidence at the public departmental briefing is contained in Appendix A. A transcript of the briefing has been published on the Committee's website and is available from the committee secretariat.

1.6 Policy objectives of the Appropriation Bill (No.2) 2014

The objective of the Bill is to provide for supplementary appropriation for unforeseen expenditure that occurred in the 2013-14 financial year. The supplementary appropriation sought is based on the Consolidated Fund Financial Report 2013-14 (CFFR).

Pursuant to Standing Order 132(1)(a), the Committee recommends that the Bill be passed.

| |
|-------------------------|
| Recommendation 1 |
|-------------------------|

| |
|--|
| The Committee recommends that the <i>Appropriation Bill (No.2) 2014</i> be passed. |
|--|

2 Examination of the *Appropriation Bill (No.2) 2014*

2.1 Reasons for the Bill

The Bill provides for a supplementary appropriation of \$441,955,000 for unforeseen expenditure that occurred in the 2013-14 financial year to be authorised.

The department confirmed that unforeseen expenditure is expenditure from the consolidated fund above the amount approved via appropriation bills which are introduced annually with the budget. Under the *Financial Accountability Act 2009* (FAA), unforeseen expenditure may be authorised by the Governor-in-Council on the recommendation of the Treasurer and must also be formally appropriated by the Parliament as supplementary appropriation.²

The department advised that the way in which parliamentary approval is sought changed last year with the introduction of a separate bill for supplementary appropriation. Prior to this, from the 2009-10 budget to the 2012-13 budget, the bills for supplementary appropriation were combined with the appropriation bills for the subsequent budget. This meant that the supplementary appropriation was dealt with almost a year after the end of the financial year to which they related.³

The Treasurer and Minister for Trade, Hon Tim Nicholls MP, stated, when introducing the Bill, that aligning the introduction of appropriation bills for supplementary appropriation with the tabling of the Consolidated Fund Financial Report (CFFR) enhances parliamentary scrutiny of unforeseen expenditure.⁴

The Treasurer stated that:

*This government remains committed to transparency and accountability. The introduction of a separate bill for supplementary appropriation demonstrates this commitment by ensuring timely consideration by parliament of unforeseen expenditure incurred during 2013-14, just shortly after the end of the financial year.*⁵

The department confirmed that in order to ensure timely consideration of supplementary appropriation, parliamentary approval is now sought as soon as possible after the end of the financial year and this timing also allows the introduction of the Bills for supplementary appropriation to be aligned with the tabling of the CFFR, which includes explanations that support Parliament's consideration and debate of the Bills.⁶

2.2 Stakeholder consultation

The explanatory notes state consultation has been undertaken with departments in establishing the appropriations payable to them pursuant to the Bill. The explanatory notes do not detail the results of this consultation.

² Mr Molloy, Transcript 30 September 2014: 1

³ Mr Molloy, Transcript 30 September 2014: 1

⁴ Queensland Legislative Assembly, Hon TJ Nicholls MP, Treasurer and Minister for Trade, *Parliamentary Debates (Hansard)*, 10 September 2014: 3135

⁵ Queensland Legislative Assembly, Hon TJ Nicholls MP, Treasurer and Minister for Trade, *Parliamentary Debates (Hansard)*, 10 September 2014: 3135

⁶ Mr Molloy, Transcript 30 September 2014: 1-2

2.3 Other appropriation issues

When the Committee examined the *Appropriation Bill (No.2) 2013* in October 2013, a question was asked about the Commission of Audit report and the comments regarding effective control of the overall level of expenditure by departments and departments having discretion to vary expenditure according to their collection of controlled revenue, which is 'deemed' appropriation, and therefore not subject to the discretionary approval of Parliament. QTT advised the Committee at the time that it was looking at this issue and examining what other states do.⁷

QTT advised the Committee in 2013 that:

*...the policy issue about the future of appropriations going forward is whether the system should be redesigned to make it effectively a total expenditure limit so that Parliament is approving the total amount of expenditure rather than the transfer of money effectively from one bank account to another. They advised that this is an issue that they think is legitimate and they are considering what other states do. They noted that if the system is changed it will have fairly significant systems issues for the IT systems and the system that is used in Treasury, Tridata, which has been designed around the current system of appropriation.*⁸

The Committee sought an update on this project and was advised that:

In response to that Commission of Audit recommendation, Treasury has been doing some internal work about how a different appropriation system might work in the future, and that would include the potential for returning controlled revenue to the consolidated fund and then reappropriating it out to departments. There are debates about the policy merits of doing that. On the one hand, a lot of the controlled revenue is actually linked to the activity of the department, and it does make sense from an economic perspective to have those cost structures and the activity of the departments linked where you have fee-for-service arrangements. There is debate about the merits of doing that. But in regard to all of these appropriation issues, while we see that there are changes that could and perhaps should be made in relation to Queensland's appropriation system, the reality is that it is heavily linked to the future of our financial management systems in government and in particular the system that we built when accrual accounting was introduced called the Tridata system.

One of the issues for government in making big changes to our appropriation system going forward will be how much do we need to spend on a new financial management system for government to give effect to those changes. We know we have a good system in place now in terms of the Tridata system, but to fundamentally change the system we need to purchase a new one. That will be a public policy question for government about how much it wants to invest in a new IT system in order to make those fundamental changes to the appropriation system. In some respects they are linked.

*We are looking at the future of the Tridata system now from an IT life cycle perspective and at that juncture if we could bring the two issues together about the public policy changes you might want to make to the appropriation system and the investment that would be required in terms of IT systems to make it happen. That is how we see those two issues coming together over the next 12 to 18 months.*⁹

⁷ Finance and Administration Committee, *Report No 35 – Appropriation Bill (No.2) 2013*, October 2013: 3

⁸ Finance and Administration Committee, *Report No 35 – Appropriation Bill (No.2) 2013*, October 2013: 3

⁹ Mr Beavers, Transcript 30 September 2014: 6

2.4 Analysis of Consolidated Fund Financial Report 2013-14

The consolidated fund is kept by the Treasurer as required under the *Financial Accountability Act 2009* (the Act). The consolidated fund comprises of the operating account and the investment account. The operating account is the whole-of-Government bank account into which administered receipts are paid, and from which the cost of the department services and government activities are paid as appropriation. Monies in excess of the daily cash flow requirements of Government are invested through the Investment account.

The CFFR is used to account for the receipts into and the payments from the operating and investment accounts. The CFFR comprises of the Statement of Receipts and Payments and the Statement of Appropriation and the accompanying notes to provide the overall view of actual funding of the budget sector¹⁰ for the financial year compared to the approved budget position (approved appropriation) for that year..

The Act requires the Treasurer to prepare quarterly financial statements on the collections deposited to and amounts paid out of the Consolidated Fund. The quarterly financial statements provide details of the quarterly and year-to-day activities of the Consolidated Fund¹¹. Only the fourth quarter financial statements, including the data for the period April to June and for the full financial year, are required to be audited by the Auditor-General.

The CFFR records transactions on the cash basis of accounting, in contrast to departmental reporting which is on an accrual basis of accounting. Transactions are recorded in the Consolidated Fund accounts at the time of receipt or issue of cash. The Act allows that payments made from or receipts paid to the Consolidated Fund within two weeks after the end of the financial year relating to that financial year may be included in the appropriation for that year. For 2013-14, cash appropriations were finalised by 30 June 2014.

As the departments prepare their financial statements on an accrual basis, the amounts contained in the CFFR may not exactly match the information included in the departmental annual financial statements. The departments are required to include a reconciliation note in their annual financial statements tying the amount appropriated in the Appropriation Bill to the actual amount received as departmental services revenue and equity adjustments. The note is in two parts – *Reconciliation of Payments from Consolidated Fund to Departmental Services Revenue Recognised in Statement of Comprehensive Income* and *Reconciliation of Payments from Consolidated Fund to Equity Adjustment Recognised in Contributed Equity* and is the first of the explanatory notes (Note 2) in the departmental annual financial statements.

The statement of appropriation is a reconciliation statement between the appropriation approved in the Appropriation Acts (for departments and Parliament) and money withdrawn from the Consolidated Fund to pay each department. This statement is based on cash flows during the financial year and the subsequent two weeks for ‘transfers’, and subsequent four weeks for ‘unforeseen expenditure’.

The statement of appropriation is a reconciliation statement between the appropriation approved in the Appropriation Acts 2013¹² (for departments and Parliament) and moneys withdrawn from the Consolidated Fund to pay each department. This statement is based on cash flows during the financial year and the subsequent two weeks for ‘transfers’, and subsequent four weeks for ‘unforeseen expenditure’.

¹⁰ Budget sector consists of all departments (as defined in the *Financial Accountability Act*)

¹¹ The consolidated fund is the combined cash transaction's and balances of the operating and investment accounts.

¹² *Appropriation Act 2013* and *Appropriation (Parliament) Act 2013*

The following table summarises the total for all departments.

| | Year ended 30 June 2014 | Year ended 30 June 2013 | Appropriation Acts 2013 | Transfers s79 | Appropriation adjusted for s79 transfers | Treasurers Transfers s33 | Lapsed Appropriation s29 | Unforeseen expenditure s35 | 2014 Actual | 2013 Actual |
|----------------------------|----------------------------|----------------------------|----------------------------|------------------|--|--------------------------------|--------------------------------|----------------------------------|----------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Departmental Totals | | | | | | | | | | |
| Controlled Items | | | | | | | | | | |
| Departmental Services | 29,426,406 | 27,556,177 | 29,945,803 | 0 | 29,945,803 | 114,339 | (806,663) | 172,927 | 29,426,406 | 27,556,177 |
| Equity Adjustments | 1,384,090 | 1,536,541 | 2,364,403 | 0 | 2,364,403 | (107,671) | (882,019) | 9,377 | 1,384,090 | 1,536,541 |
| Administered Items | 14,729,738 | 12,562,125 | 15,134,647 | 0 | 15,134,647 | (6,668) | (663,505) | 265,265 | 14,729,739 | 12,562,125 |
| Total for Department | 45,540,234 | 41,654,843 | | | | | | | | |
| Vote | | | 47,444,853 | 0 | 47,444,853 | 0 | (2,352,187) | 447,569 | 45,540,235 | 41,654,843 |

It should be noted that the table above details total unforeseen expenditure and therefore includes unforeseen expenditure for the Legislative Assembly and Parliamentary Service which is the subject of the *Appropriation (Parliament) Bill (No.2) 2014*. Refer to the separate report on that bill for further detail.

The department confirmed that the supplementary appropriation totals \$447.6 million and adding the amounts included in both bills totals this figure.¹³

The difference between the approved appropriation and the actual appropriation received is explained by each of the departments. The notes cover all three vote headings – departmental services; equity adjustments and administered items.

The explanatory notes are provided by the departments. The Auditor-General has issued an unqualified audit opinion on the CFFR which ensures that the explanations provided are accurate.

The Committee sought additional detail regarding significant lapses in departmental services, equity adjustments and administered items. The department advised that:

Appropriation amounts for each agency as provided in the statement of appropriations in the CFFR are calculated on a net basis. This is underpinning the total appropriation amounts and often there are hundreds of adjustments for each agency which are required for various reasons. So there is a netting out that needs to occur there. There is a very large number for each agency of adjustments, as I said, running to the hundreds generally for each individual agency. Each agency provides detailed explanations of appropriation movements for transfers between agencies, transfers between headings, lapses and unforeseen expenditure across departmental services, equity adjustments and administered items. These are published as explanatory notes to the statement of appropriations in the CFFR. The key reasons that are provided in the CFFR and the main explanations are developed and agreed with the Auditor-General so that they are the principal reason for the adjustments.¹⁴

2.4.1 Transfers

Section 79 allows the Treasurer to redistribute funding after machinery of government change. Section 79 transfers are specifically used to transfer appropriations when the government restructures the departments or moves services between the departments. From the consolidated fund position, the Treasurer is not drawing more funding from the consolidated fund, but is just moving the funding between the departments.

¹³ Mr Molloy, Transcript 30 September 2014: 2

¹⁴ Mr Molloy, Transcript 30 September 2014: 3

The section 79 transfers by department are as follows:

| | Departmental services | Equity Adjustments | Administered items |
|---|-----------------------|--------------------|--------------------|
| | \$'000 | \$'000 | \$'000 |
| Department of Communities, Child Safety & Disability Services | (137,081) | (800) | 0 |
| Department of Housing & Public Works | 137,081 | 800 | 0 |
| Department of Justice & Attorney-General | 431,601 | (69,650) | 0 |
| Department of Local Government, Community Recovery & Resilience | 22,747 | 0 | 0 |
| Department of the Premier & Cabinet | 2,647 | 0 | 0 |
| Public Safety Business Agency (renamed 1/11/13) | (866,587) | 67,980 | 0 |
| Public Service Commission | (5,570) | 0 | 0 |
| Queensland Fire & Emergency Services (from 1/11/13) | 56,729 | 0 | 0 |
| Queensland Health | 361,127 | 1,670 | 0 |
| Queensland Police Service | (2,694) | 0 | 0 |
| Departmental Totals | 0 | 0 | 0 |

Section 33 allows the Treasurer to make transfers of appropriation between headings within a department's vote. For example, QTT reduced its departmental services by \$21.2 million and its equity adjustments by \$11.1 million and increased its administered items by \$32.3 million.¹⁵

The section 33 transfers by department are as follows:

| | Departmental services | Equity Adjustments | Administered items |
|--|-----------------------|--------------------|--------------------|
| | \$'000 | \$'000 | \$'000 |
| Department of Aboriginal & Torres Strait Islander & Multicultural Affairs | (2,572) | 0 | 2,572 |
| Department of Agriculture, Fisheries and Forestry | 465 | 0 | (465) |
| Department of Education, Training and Employment | (248,711) | 248,711 | 0 |
| Department of Housing & Public Works | (27,556) | 0 | 27,556 |
| Department of Justice & Attorney-General | 273 | (273) | 0 |
| Department of National Parks, Recreation, Sport & Racing | (103) | 0 | 103 |
| Department of Natural Resources & Mines | (424) | 424 | 0 |
| Office of the Governor | (130) | 130 | 0 |
| Department of the Premier & Cabinet | 3,018 | 0 | (3,018) |
| Public Safety Business Agency (renamed 1/11/13) | 77 | (77) | 0 |
| Queensland Police Service | 26,896 | (26,896) | 0 |
| Queensland Treasury & Trade | (21,164) | (11,100) | 32,264 |
| Department of Science, Information Technology, Innovation & the Arts | 6,804 | 0 | (6,804) |
| Department of State Development, Infrastructure & Planning | (18,124) | 0 | 18,124 |
| Department of Tourism, Major Events, Small Business & the Commonwealth Games | (672) | 672 | 0 |
| Department of Transport & Main Roads | 396,262 | (319,262) | (77,000) |
| Departmental Totals | 114,339 | (107,671) | (6,668) |

¹⁵ Queensland Government, *Consolidated Fund Financial Report 2013-14*, September 2014: 11

The transfers made under section 79 and section 33 of the Financial Accountability Act cannot increase the total amount of the appropriation approved by Parliament.

2.4.2 Unforeseen Expenditure

Under section 29, the total amount appropriated for a department for a financial year under an annual appropriation act is available for the Treasurer to pay to the department in the financial year or within the further 2 weeks. If all the available amount is not paid to the department within this time frame, the unpaid amount of the appropriation lapses. Technically lapsed appropriations are not paid to the departments from the Consolidated fund. Appropriation/unforeseen expenditure is paid to the level required to meet the expenditure of the departments. If departments do not require the funding to meet expenditure commitments, it is not drawn out of the consolidated fund.

Unforeseen Expenditure refers to expenditure authorised by the Governor in Council, under section 35 of the Act, to be made in advance of appropriation. Such authorisation may be given for expenditure where there is no appropriation, or there is an appropriation but the making or charging of the expenditure to a department's vote would mean that the amount allocated to the vote would be exceeded. Unforeseen expenditure occurs when a department exceeds its approved vote and the Treasurer needs to have the additional payment from the Consolidated Fund approved.

The following table details unforeseen expenditure by department:

| Department | Departmental Services | Equity Adjustments | Administered items |
|--|-----------------------|--------------------|--------------------|
| | \$'000 | \$'000 | \$'000 |
| Department of Agriculture, Fisheries and Forestry | 3,602 | 0 | 0 |
| Office of the Governor | 0 | 13 | 0 |
| Department of the Premier and Cabinet | 2,456 | 1,644 | 0 |
| Public Safety Business Agency | 61,043 | 0 | 0 |
| Public Service Commission | 1,699 | 0 | 0 |
| Queensland Police Service | 13,696 | 0 | 0 |
| Queensland Treasury and Trade | 0 | 0 | 265,265 |
| Department of Science, Information Technology, Innovation and the Arts | 84,400 | 5,906 | 0 |
| Department of Transport and Main Roads | 2,231 | 0 | 0 |
| Total | 169,127 | 7,563 | 265,265 |

The department acknowledged that the amount of the unforeseen expenditure in 2013-14 was higher than in 2012-13 but lower than in previous years on both the total and as a percentage of appropriation. They also advised that overall total appropriations in 2013-14 were less than the total amount approved in the 2013-14 budget.¹⁶

The most significant of the unforeseen expenditure was \$265.3 million for QTT. The explanatory notes identify the following with regard to the unforeseen expenditure amounts in the administered items:

...the additional administered items which were a result of increases in superannuation benefit payments and long service leave scheme claims.¹⁷

¹⁶ Mr Molloy, Transcript 30 September 2014: 2

¹⁷ Queensland Government, *Consolidated Fund Financial Report 2013-14*, September 2014: 17

The Committee noted that some departments do not specifically address the reasons for the unforeseen expenditure in their explanations in the notes to the accounts. The Committee sought clarification on the requirements and whether QTT provides guidance to department on the requirements.

The department advised that it is largely a matter for negotiation between the departments and their auditors about what is included in the explanations. They advised that it is quite a complex system of appropriations because it allows transfers between headings which adds to the complexity of the task.¹⁸

QTT advised that they try to provide explanations within a reasonable amount of space and level of detail and they try to highlight the primary reason for the changes in appropriation both across headings and on a net basis. They advised that in some agencies it will be quite simple, however, in other agencies it is difficult due to the complexity of the department. They advised that they endeavour to strike a balance between some level of detail, readability and accessibility for people who are trying to use the information.¹⁹

In terms of QTT's processes and the involvement of the Auditor-General, they advised that they ensure that explanations are provided about the major items. They noted that there will be occasions where the variations are caused by numerous smaller items and to pick one of those items in isolation could lead to an overemphasis that could be misleading. They advised that their overriding principle is to make sure that the main items are identified.²⁰

QTT confirmed that some of the information they receive is quite complex and unwieldy and so they try and work with auditors and departments to put the information into a format that users of the information can understand. They noted that:

One of the challenges here is that the appropriation is a net concept, so it is possible to have a hundred pluses and a hundred minuses and at the end of the day somebody has to exercise some judgement about what is the best explanation that we can provide to the committee based on all of the information that is in front of you.²¹

The department emphasised that more data is not necessarily more information and more data does not necessarily help to explain the material reasons for variations. They expressed the view that more data may lead to greater confusion and place an undue emphasis on things which are not the key reasons for the explanation for the variance.²²

The Committee sought clarification on the reasons for the unforeseen expenditure for the Public Safety Business Agency (PSBA) and the Department of Science, Information Technology, Innovation and the Arts (DSITIA).

¹⁸ Mr Beavers, Transcript 30 September 2014: 5

¹⁹ Mr Beavers, Transcript 30 September 2014: 6-7

²⁰ Mr Molloy, Transcript 30 September 2014: 7

²¹ Mr Beavers, Transcript 30 September 2014: 7

²² Mr Molloy, Transcript 30 September 2014: 7

QTT advised that the largest issue in relation to DSITIA was the Government Wireless Network. They stated that:

That was a policy and procurement issue that was resolved by government during the 2013-14 financial year and Treasury had the money set aside for that project and then when the procurement process was completed Treasury then handed the money over to DSITIA being the implementation agency for the Government Wireless Network. So sometimes you have projects where Treasury when particularly Projects Queensland will do the procurement and once that procurement is completed it then needs an agency to see through implementation and management of the contract. So the primary reason in relation to DSITIA relates to the Government Wireless Network. But they did also receive some funding for the government's One Stop Shop program and Smart Service Queensland.²³

They further advised that the 2014-15 Budget Paper No.4 identified that in 2013-14 additional funding of \$15.68 million was provided to the department for the Government Wireless Network.²⁴

With regard to the PSBA, the department advised that there was unforeseen expenditure in departmental services of \$61 million which was largely due to the timing of salary and other creditor payments. They advised that timing differences can occur where salaries will push into the next financial year. The department noted that the impact was partly offset by some re-cash flowing of funding for a human resources and payroll system replacement project and the Regional College of Disaster Management.²⁵

2.4.3 Lapsed Appropriation

If a department does not draw down the full amount of its approved appropriation during the financial year, the appropriation is considered to lapse. Funds may be transferred from those Vote headings which are likely to lapse to those that maybe overrun (section 33 transfers) with the approval of the Treasurer.

In 2013-14, \$29.4 billion was paid as departmental services revenue compared with the approved appropriation of \$29.9 billion. The difference between the approved and actual is shown in the Statement of Appropriations as a combination of transfers between vote headings and lapsed appropriation.

Equity adjustments are used to manage the government 'investment' in a department. The appropriation for equity adjustments may increase or decrease the government's investment in an individual department to fit the whole of government or the department's priorities. The amounts of lapsed appropriation in the equity adjustments totalled \$882.0 million.

Administered Items are those that a department manages on behalf of the Government. In doing so, it has responsibility and is accountable for administering related transactions and items, but does not have the discretion to deploy the resources for the achievement of the department's objectives. The amounts of lapsed appropriation in the administered items totalled \$663.5 million.

²³ Mr Beavers, Transcript 30 September 2014: 2

²⁴ Correspondence from Mr M Gray, Under Treasurer, QTT to FAC dated 3 October 2014: 3

²⁵ Mr Molloy, Transcript 30 September 2014: 3

The following table details lapsed appropriation by department:

| Department | Departmental Services | Equity Adjustments | Administered Items |
|--|-----------------------|--------------------|--------------------|
| | \$'000 | \$'000 | \$'000 |
| Department of Aboriginal and Torres Strait Islander and Multicultural Affairs | 2,119 | 0 | 0 |
| Department of Communities, Child Safety and Disability Services | 160,732 | 7,877 | 9,702 |
| Department of Education, Training and Employment | 84,392 | 0 | 3,313 |
| Electoral Commission of Queensland | 5,909 | 647 | 0 |
| Department of Energy and Water Supply | 55,825 | 0 | 142,494 |
| Department of Environment and Heritage Protection | 7,381 | 14,624 | 0 |
| Department of Housing and Public Works | 113,267 | 233,207 | 0 |
| Department of Justice and Attorney-General | | 20,248 | 2,640 |
| Department of Local Government, Community Recovery and Resilience | 62,443 | 5,856 | 482,231 |
| Department of National Parks, Recreation, Sport and Racing | 52,351 | 8,481 | 0 |
| Department of Natural Resources and Mines | 7,166 | 0 | 2,164 |
| Office of the Ombudsman | 377 | 0 | 0 |
| Queensland Audit Office | 128 | 0 | 0 |
| Queensland Fire and Emergency Services | 3,203 | 0 | 0 |
| Queensland Health | 129,708 | 407,428 | 1,237 |
| Department of State Development, Infrastructure and Planning | 93,881 | 183,651 | 0 |
| Department of Tourism, Major Events, Small Business and the Commonwealth Games | 27,781 | 0 | 19,724 |
| Total | 806,663 | 882,019 | 663,505 |

Each department has included the major factor(s) which lead to the lapsed appropriation. The factors that give rise to the lapse appropriation are unique to each department and are summarised in the Explanatory Notes to the Statement of Appropriations. Common themes do exist, such as -

- Timing changes of grant payments and other programs
- Reduction in required level of funding/expenditure

The Committee sought clarification on the reasons for the delays caused in the timing of grant payments and whether the process could have been managed in a different way to avoid delays. QTT advised that there are many specific circumstances that lead to delays. They advised that often delays in payments are not necessarily because of any issues within the bureaucracy and may be because of the need for compliance activities to be completed. They advised that generally the funding would be carried over to the following year.²⁶

QTT advised the Committee that the definition of 'lapse' that is used for the purpose of the CFFR, is a lapse in that funding was not appropriated for that year. It does not mean that that money has all lapsed and has come back to the budget in the sense that many of them will be deferred until the following year because there have been time delays.²⁷

²⁶ Mr Molloy, Transcript 30 September 2014: 5

²⁷ Mr Molloy, Transcript 30 September 2014: 5

The Committee sought additional information regarding the last time prior to 2012-13 that the lapsed appropriation was at or above the 2013-14 amount of \$2.35 billion. QTT advised that the last time the lapsed appropriation was above the 2012-13 level was in 2004-05 when it reached almost \$3 billion. They also advised that as a percentage of appropriation this represented 14.1 percent compared to five percent in 2013-14.²⁸

The Committee sought clarification with regard to the lapses in administered items of \$142.5 million for the Department of Energy and Water Supply (DEWS). The CFFR explanatory notes identified that this primarily reflected a reduction in the funding required to maintain the government's uniform electricity tariff policy and a return of unutilised funding for the Seqwater rebate program.

QTT advised that there was a reduction in the case requirements for electricity community service obligation (CSO) payments of \$136 million and a return of surplus funding for the SEQ water rebate program of \$4.7 million. They noted that the actual CSO paid to Ergon Retail in 2013-14 was significantly lower than forecast that this reflects the difference in the data available when CSO forecasts are made versus the actual costs and revenue when the CSO is paid.²⁹

The Committee sought additional information on the lower departmental services for QTT. The CFFR explanatory notes identified that funding was offset by additional funding for the Strong Choices and Best Place to do Business advertising campaigns.

The department advised that additional funding of \$10.4 million was provided for these campaigns as outlined in the 2014-15 Budget Paper No.4 and summarised in the table below.³⁰

| Expense measure | 2013-14 \$ million |
|---|-----------------------|
| Strong Choices Advertising Phase 1 | 6.0 |
| Strong Choices Draft and Final Plan Advertising | 1.4 |
| The Best Place to do Business campaign | 3.0 |
| Total | 10.4 |

The Committee also sought additional information on the lower equity adjustments for the Moreton Bay Rail Link, the Centenary Motorway and the Gold Coast Rapid Transit. The department provided the following information:

Page 19 of the Consolidated Fund Financial Report provides an explanation for appropriation adjustments for the Department of Transport and Main Roads. The explanation notes that lower equity adjustments were partly related to timing changes of State funding for projects including Moreton Bay Rail, Centenary Motorway and Gold Coast Rapid Transit. The funding amounts deferred to future years for these projects is provided in the table below.³¹

| Project | 2013-14 \$ million |
|--------------------------|-----------------------|
| Moreton Bay Rail | 30.0 |
| Centenary Motorway | 21.0 |
| Gold Coast Rapid Transit | 14.8 |

²⁸ Correspondence from Mr M Gray, Under Treasurer, QTT to FAC dated 3 October 2014: 5

²⁹ Correspondence from Mr M Gray, Under Treasurer, QTT to FAC dated 3 October 2014: 4

³⁰ Correspondence from Mr M Gray, Under Treasurer, QTT to FAC dated 3 October 2014: 5

³¹ Correspondence from Mr M Gray, Under Treasurer, QTT to FAC dated 3 October 2014: 5

2.5 Short title – Clause 1

Clause 1 provides for the short title of the Act. The clause contains a note confirming that the words used in this Act that are defined in the *Financial Accountability Act 2009* (FAA) have the same meaning the words have in that Act, subject to a contrary intention in this Act.

2.6 Supplementary appropriation for 2013-14 based on unforeseen expenditure included in the consolidated fund financial report – Clause 2

Clause 2 authorises the Treasurer to pay \$441,955,000 from the consolidated fund for QTT for the financial year starting 1 July 2013. The bill states that:

For each department, the total amount mentioned for the department in schedule 1 is appropriated for the financial year for the department for application to its departmental services, equity adjustment and administered items as stated in schedule 1.

QTT advised that the *Appropriation Bill (No.2) 2014* seeks parliamentary approval of supplementary appropriation for unforeseen expenditure incurred by nine departments in the 2013-14 year of \$442 million. This is made up of \$265 million for QTT; \$90 million for the Department of Science, Information Technology, Innovation and the Arts; \$61 million for the Public Safety Business Agency, which was formerly the department of community safety; \$13.7 million for the Queensland Police Service; \$4.1 million for the Department of the Premier and Cabinet; \$3.6 million for the Department of Agriculture, Fisheries and Forestry; \$2.2 million for the Department of Transport and Main Roads; \$1.7 million for the Public Service Commission; and an amount of \$13,000 for the Office of the Governor. They noted that over half of the 2013-14 supplementary appropriation is for under QTT's administered items heading and primarily relates to Treasury's whole-of-government financial management role.³²

³² Mr Molloy, Transcript 30 September 2014: 2

3 Fundamental legislative principles

Section 4 of the *Legislative Standards Act 1992* states that FLPs are the 'principles relating to legislation that underlie a parliamentary democracy based on the rule of law'. The principles include that legislation has sufficient regard to:

- the rights and liberties of individuals, and
- the institution of parliament.

The Committee examined the Bill's consistency with FLPs. This section of the report discusses potential breaches of the FLPs identified during the Committee's examination of the Bill and includes any reasons or justifications contained in the explanatory notes and provided by the department.

The explanatory notes identify that legislation should not adversely affect rights or liberties or impose obligations retrospectively.

3.1 Issues identified

The Committee found that the Bill has sufficient regard to fundamental legislative principles.

3.2 Explanatory notes

Part 4 of the *Legislative Standards Act 1992* (LSA) relates to explanatory notes. Subsection 22(1) states that when introducing a bill in the Legislative Assembly, a member must circulate to members an explanatory note for the Bill. Section 23 requires an explanatory note for a bill to be in clear and precise language and to include the Bill's short title and a brief statement providing certain information.

The required information includes:

- the policy objectives of the Bill and the reasons for them;
- the way the policy objectives will be achieved by the Bill and why this way of achieving the objectives is reasonable and appropriate;
- a statement (if appropriate) about any reasonable alternative way of achieving the policy objectives and why the alternative was not adopted;
- a brief assessment of the administrative cost to Government of implementing the Bill, including staffing and program costs;
- a brief assessment of the Bill's consistency with fundamental legislative principles, and, if it is inconsistent with fundamental legislative principles, the reasons for the inconsistency;
- a brief statement of the extent to which consultation was carried out in relation to the Bill;
- a simple explanation of the purpose and intended operation of each clause of the Bill; and
- if the Bill is substantially uniform or complimentary with legislation of the Commonwealth or another State –a statement to that effect and brief explanation of the legislative scheme.
- if an explanatory note does not include the above information, it must state the reason for the non-inclusion, however a failure to comply with the above requirements does not affect the ultimate validity of the legislation (LSA section 25).

Explanatory notes were tabled with the introduction of the Bill. Those notes are fairly detailed and contain the information required by Part 4 and a reasonable level of background information and commentary to facilitate understanding of the Bill's aims and origins.

The department confirmed that there are no additional administrative costs in implementing the bill as it seeks Parliamentary approval for expenditure incurred in the 2013-14 financial year.³³

3.3 Committee Comments

The Committee appreciates that the department has heeded the comments made in its Report No. 35 and that appropriate references have been included in the explanatory notes in order to comply with the Legislative Standards Act.

³³ Mr Molloy, Transcript 30 September 2014: 2

Appendices

**Appendix A – Officers appearing on behalf of the department at the public departmental briefing –
Tuesday 30 September 2014**

| |
|--|
| Mr Alex Beavers, Deputy Under Treasurer, Queensland Treasury and Trade |
|--|

| |
|--|
| Mr Dennis Molloy, Assistant Under Treasurer, Fiscal Strategy Division, Queensland Treasury and Trade |
|--|

Statement of Reservation

CURTIS PITT MP

SHADOW TREASURER AND SHADOW MINISTER FOR TRADE

SHADOW MINISTER FOR ENERGY AND WATER SUPPLY

SHADOW MINISTER FOR ABORIGINAL AND TORRES STRAIT ISLANDER PARTNERSHIPS

MEMBER FOR MULGRAVE

PO Box 15057, City East QLD 4002

reception@opposition.qld.gov.au (07) 3838 6767



Mr Steve Davies MP
Chair
Finance and Administration Committee
George Street
BRISBANE QLD 4000
Email: fac@parliament.qld.gov.au

Dear Chair,

I write to lodge a statement of reservations on the Finance and Administration Committee's report on the *Appropriation Bill (No. 2) 2014*.

It is disappointing that once again the Newman Government has failed to respond to questioning about significant items of lapsed appropriation and unforeseen expenditure.

The Treasurer once again made nonsensical claims in his second reading speech linking unforeseen expenditure with financial management while ignoring historical factors including natural disasters, the global financial crisis and asset sales. Meanwhile, the Treasurer made no reference to historically high lapsed appropriation under his watch.

The Opposition sees no value in this legislation being separately debated if additional information to that contained in the Consolidated Fund Financial Report is only made available at the discretion of the Government.

The Newman Government is already spending millions of taxpayer dollars on political messaging including misleading and false propaganda about State debt and is using Queensland Treasury Corporation to keep secret how much 17 asset sales consultant appointments have been and are being paid without any election mandate.

If the Newman Government had any shred of credibility in relation to claims of financial transparency and accountability than the full expenditure on asset sales propaganda and consultants would be released immediately.

The separate consideration of this bill is another attempt to score political points at taxpayers' expense and does nothing to increase financial transparency or accountability.

Yours sincerely

A handwritten signature in black ink that reads "Curtis Pitt". The signature is written in a cursive, flowing style.

Curtis Pitt MP
Shadow Treasurer