Resource Management Guide No. 400

Approving commitments of relevant money
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This guide contains material that has been prepared to assist Commonwealth entities and companies to apply the principles and requirements of the Public Governance, Performance and Accountability Act 2013 and associated rules, and any applicable policies. In this guide the: mandatory principles or requirements are set out as things entities and officials ‘must’ do; and actions, or practices, that entities and officials are expected to take into account to give effect to those principles and/or requirements are set out as things entities and officials ‘should consider’ doing.
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Approving commitments of relevant money

Audience
This guide is relevant to all corporate and non-corporate Commonwealth entities. It is particularly relevant to Chief Financial Officers (CFOs) and their staff, officials of an entity who are responsible for the entity's internal controls and processes, and officials who have a delegation or authorisation to approve commitments of relevant money.

Key points
This guide:

- deals with the ‘commitment’ of ‘relevant money’.
  - ‘Relevant money’ is money standing to the credit of any bank account of, or that is held by, the Commonwealth or a corporate Commonwealth entity.
  - A commitment is an activity that results in an obligation to pay relevant money. This includes obligations that are contingent upon certain events occurring, such as indemnities, guarantees and warranties.

- provides guidance on provisions of the Public Governance, Performance and Accountability Act 2013 (PGPA Act) that deal with approving commitments of relevant money (specifically, sections 23 and 71) as well as section 18 of the Public Governance, Performance and Accountability Rule 2014 (PGPA Rule).
  - section 23 of the PGPA Act confers on the accountable authorities of non-corporate Commonwealth entities the power to approve proposed commitments of relevant money. It also confers on accountable authorities the power to enter into arrangements.
  - section 18 of the PGPA Rule sets out the requirements that an official must meet if he or she has been delegated, or authorised to exercise, the power to approve proposed commitments of relevant money.
  - section 71 of the PGPA Act imposes requirements on a Minister when approving a proposed expenditure of relevant money.

- commences on 1 July 2014, when the PGPA Act and PGPA Rule take effect.

Resources
This guide is available on the Department of Finance website at http://www.finance.gov.au
Part 1 – Introduction

1. This guide provides guidance about the operation of the PGPA Act and the PGPA Rule relating to approving commitments of relevant money.

2. Fundamentally the PGPA Act seeks to take a holistic approach to the management of public resources by establishing a coherent system of governance and accountability across all Commonwealth entities. It takes a whole-of-system view, starting with the level of accountability delegated to the accountable authority, and the structures, checks and balances that the accountable authority deploys to provide confidence to Ministers, the Auditor-General and the Parliament that it is meeting its obligations in relation to the proper use of public resources. This includes by establishing an appropriate system of internal control for an entity that takes account of the risks that apply to the entity. The PGPA Act introduces legislative requirements on all officials to exercise care and diligence, act honestly, in good faith and for proper purpose, in following any written instructions that the accountable authority makes about relevant money under section 20A of the PGPA Act.

3. The commitment of relevant money is a key element of the resource management framework. ‘Relevant money’ is money that Commonwealth entity holds as cash or in bank accounts. Relevant money becomes ‘committed’ when the Commonwealth or a corporate Commonwealth entity undertakes an activity that results in an obligation to pay relevant money.

4. It is important that relevant money is used for a proper purpose, by persons who are authorised to use that money, and that losses due to waste, abuse, mismanagement, error, fraud, omissions and other irregularities are minimised. Relevant money is expected to be managed and applied in a manner that will deliver the best results. Finding more efficient and better ways of undertaking activities, will reduce costs to Commonwealth entities and, in turn, make relevant money available for other opportunities and uses.

Part 2 – Duties of accountable authorities

5. In the system of controls, obligations and duties under the PGPA Act, there is flexibility for an accountable authority to apply processes for committing relevant money that are appropriate to the entity and its operating environment. The accountable authority is best placed to understand the organisational context and maturity of its control environment.

6. The accountable authority of a Commonwealth entity is responsible for promoting the proper use and management of the public resources for which the accountable authority is responsible (s.15 PGPA Act).

7. The accountable authority of a Commonwealth entity must establish and maintain an appropriate system of risk oversight and management for the entity, and an appropriate system of internal control. This includes by implementing measures directed at ensuring officials of the entity comply with finance law (s.16 PGPA Act). Finance law includes the requirement in s. 15 of the PGPA Act that proper use and management of public resources is promoted by an accountable authority.

8. Section 23 of the PGPA Act empowers the accountable authority of a non-corporate Commonwealth entity to enter into arrangements relating to the affairs of an entity. It also empowers the accountable authority of a non-corporate Commonwealth entity to approve a commitment of relevant money for which the accountable authority is responsible. Section 110 of the PGPA Act allows for these powers to be delegated by a written instrument to an official of a non-corporate Commonwealth entity. In contrast, corporate Commonwealth

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1 However, section 110(2)(a) of the PGPA Act does not permit the accountable authority to delegate its core duties under sections 15-19.
entities can do these things by virtue of the body corporate status they have been given in their enabling legislation, and usually give permission for people to commit relevant moneys through a system of internal authorisations.

9. Section 20A of the PGPA provides that the accountable authority of a Commonwealth entity may, by written instrument, give instructions to an official of the entity about any matter relating to the finance law. It also provides that a written instrument may give instructions to an official of another Commonwealth entity in relation to the official approving the commitment of relevant money for which the accountable authority is responsible. By virtue of section 8 of the PGPA Act, an instrument made under section 20A is also finance law.

10. To summarise in relation to commitments of relevant money, under the PGPA legislative scheme, an accountable authority must promote the proper use of relevant money for which it is responsible, and as a matter of finance law, must ensure that officials comply with any requirement that it puts in place in relation to proper use. These requirements can be put in place through systems of control (based on an appropriate system of risk oversight and management), and through written instruments that instruct officials on matters of proper use of relevant money. Those officials can be either officials of the entity, or officials of another Commonwealth entity, who are approving commitments of relevant money for which the accountable authority is responsible. The accountable authority of a Commonwealth entity can approve a commitment of relevant money for which it is responsible, and can give this power to an official, if a non-corporate Commonwealth entity because it is given explicit power to do so under the PGPA Act, or, if a corporate entity, by virtue of its corporate status.

11. An official of a Commonwealth entity has a personal responsibility to work within this scheme by virtue of their duties to exercise their powers, perform their functions and discharge their duties with the degree of care and diligence that a reasonable person would exercise in the same circumstances (section 25 of the PGPA Act), and act honestly in good faith and for a proper purpose (section 26 of the PGPA Act).


Part 3 – Approving commitments of relevant money

Section 23 of the PGPA Act: Power in relation to arrangements and commitments

(1) The accountable authority of a non-corporate Commonwealth entity may, on behalf of the Commonwealth:
   (a) enter into arrangements relating to the affairs of the entity; and
   (b) vary and administer those arrangements.

(2) An arrangement includes a contract, agreement, deed or understanding.

(3) The accountable authority of a non-corporate Commonwealth entity may, on behalf of the Commonwealth, approve a commitment of relevant money for which the accountable authority is responsible.
Guide to this section

The accountable authority responsible for relevant money has a duty under section 15 of the Act to promote the proper use of the money (i.e. the efficient, effective, economical and ethical use of the money). This duty applies when it approves commitments of relevant money.

If the accountable authority delegates its power to approve commitments of the money to an official, or otherwise authorises an official to exercise that power, the accountable authority still needs to comply with its duty to promote the proper use of the money. Some of the ways it may do this when the official is exercising the power is to impose conditions in the delegation or authorisation, give directions about the exercise of that power, or give instructions to the official about the proper use of that money.

The purpose of this section is to require the accountable authority, or an official, to make a record when the authority or official approves a commitment of relevant money.

It is also to emphasise the following 2 points:

- If the official is acting under a delegation or authorisation by the accountable authority when approving a commitment of relevant money, the official must exercise the power consistently with the accountable authority’s delegation or authorisation. For example, if the accountable authority specifies conditions in the delegation or authorisation, or gives directions, about the proper use of the money, then the official must comply with those conditions or directions.

- The official must comply with any instructions (including instructions about proper use of the money) given by the accountable authority.

The official must comply also with his or her duties under sections 25 to 29 of the Act (which are about the general duties of officials) when approving a commitment of relevant money. In particular, sections 25 and 26 of the Act require the official to act with care and diligence, and for a proper purpose, when approving those commitments. (As accountable authorities are also officials, those duties apply to them too when approving commitments of relevant money.)

This section is made for section 52 of the Act.

(1) If:
(a) the accountable authority of a Commonwealth entity is approving the commitment of relevant money for which the accountable authority is responsible; or

(b) an official of a Commonwealth entity is approving the commitment of relevant money for which the accountable authority of a Commonwealth entity is responsible;

then the accountable authority or official must record the approval in writing as soon as practicable after giving it.

Note: The accountable authority referred to in paragraph (b) may be the accountable authority of the same Commonwealth entity as the official or it may be the accountable authority of a different Commonwealth entity.

(2) To avoid doubt, the official must approve the commitment, and record the approval, consistently with any written requirements (including any requirements relating to the proper use of that money and spending limits) specified by the accountable authority referred to in paragraph (1)(b) in:
(a) the official is acting under a delegation or authorisation of the accountable authority:
   (i) the instrument that delegates to the official, or otherwise authorises the official to exercise, the accountable authority’s power to approve the commitment of relevant money; or
   (ii) a direction to the official in relation to the exercise of that power; or

(b) instructions given by the accountable authority.
Guidance – power to approve (delegations and authorisations)

13. Section 23 of the PGPA Act confers on the accountable authority of a non-corporate Commonwealth entity the power to:

- enter into arrangements relating to the affairs of the entity; and
- approve commitments of relevant money.

These powers can be delegated to officials (see section 110 of the PGPA Act).

14. Corporate Commonwealth entities derive the power to enter arrangements and the power to approve proposals for the commitment of relevant money from their separate legal personality and enabling legislation. Accordingly, the accountable authority of a corporate Commonwealth entity can authorise officials to approve the proposed commitment of relevant money on their behalf.

15. The term 'commitment of relevant money' is not defined in the PGPA Act or the PGPA Rule. Money will become committed when the entity undertakes an activity that results in an obligation to pay relevant money, such as entering an arrangement.

16. An accountable authority should establish appropriate approval processes as part of their internal controls. These processes should be consistent with the accountable authority's duty to promote the proper use of public resources.

17. When delegating or authorising officials to exercise the power to approve the proposed commitment of relevant money, an accountable authority should consider placing appropriate conditions and limits on the exercise of the power, including dollar limits, that are consistent with the business needs of the entity and balance efficiency of operations with appropriate levels of accountability.

18. The conditions attached to any delegation or authorisation should be considered in the context of the entity's size, structure, risk appetite and operations. There is no 'one-size-fits-all' approach to delegations and authorisations. For example, in a very small agency, the accountable authority could determine that it will personally approve all proposed commitments, or determine that he or she would only delegate this power to the CFO. In contrast, for the day-to-day operations of large entities, delegations or authorisations may need to be provided to a range of officials at an appropriate level to facilitate an efficient system of decision-making and administration within the entity.

19. An official who is delegated powers under the PGPA Act must comply with any directions from his or her accountable authority in exercising these delegated powers. Accountable authorities can issue directions to delegates, or officials who are authorised to approve commitments of relevant money, to ensure that appropriate controls are in place. For example, an accountable authority may require that officials approving commitments of relevant money undertake specific tasks before giving their approval—which give the accountable authority sufficient assurance that the proper use of relevant money is achieved. These requirements might be sized to reflect the complexity of particular transactions, or the dollars involved.

Guidance – proper use

20. An accountable authority is expected to create an operating environment that supports the proper use and management of public resources, without stifling innovation in pursuit of the achievement of the purposes of the entity. This duty operates in concert with the general duties that officials are required to meet, but there is an additional duty on an accountable authority to implement measures directed at ensuring officials of the entity comply with the 'finance law'. As instruments under the PGPA Act, an accountable authority's instructions
(AAIs) made under section 20A form part of the ‘finance law’ which officials are required to comply with.

21. Accountable authorities must design their instructions to officials so that, in following the instructions, officials will be achieving the proper use and management of resources under their control.

22. The term ‘proper’, when used in relation to the use and management of public resources, is defined in section 8 of the PGPA Act to mean ‘efficient, effective, economical and ethical’. Consistent with this, an accountable authority’s internal controls, including AAIs, which officials must comply with, must operate to promote the efficient, effective, economical and ethical use of relevant money by officials.

23. While the PGPA Act does not define the terms ‘efficient’, ‘effective’, ‘economical’ and ‘ethical’, the following general principles may assist officials to assess whether a proposed commitment of relevant money would constitute a proper use of that money.

- A use of public resources is ‘efficient’ when it involves the most suitable resources being used to deliver the best result. For example, an official should inform himself or herself of the unit costs or other ways of achieving the particular purposes and objectives of the entity or the programme and assess which proposed commitment would deliver the best overall result for the entity, and the Commonwealth.

- Whether a use of public resources is ‘effective’ depends on the extent to which it achieves its expected results. Officials should consider whether the proposed commitment is going to produce the desired result, taking into account the purpose and objectives of the entity or the programme.

- The ‘economical’ aspect of proper use emphasises the requirement to avoid waste and sharpens the focus on the level of resources that the Commonwealth applies to deliver results. This generally relates to approving the best cost option to deliver the expected results.

- ‘Ethical’ behaviour should be consistent with the core beliefs and values of society. Where a person behaves in an ethical manner it could be expected that a person in a similar situation would undertake a similar course of action. For the approval of proposed commitments of relevant money, an ethical use of resources involves managing conflicts of interests, and approving the commitment based on the facts without being influenced by personal bias.

Case Study

An entity intends to conduct training for its officials and needs to determine what type of training would be the best use of relevant money. The entity could either provide face-to-face training for $10,000 or develop electronic training (e-learning) for $30,000. The two options would need to be assessed to determine which approach would be the most efficient, effective, economic and ethical. In conducting this assessment, the delegate weighs up the fact that e-learning can be used by a wide audience over a period of time, but that face-to-face training creates a more interactive learning environment that may provide officials with a deeper understanding of the subject matter. The desired results of the training are also considered by the delegate (whether it is ‘base level’ or advanced training).

The delegate approves the development of e-learning, based on the desired result to deliver ‘base level’ training that can be used by everyone in the entity, and over a twelve month period rather than on a single occasion.
24. Sections 25 to 29 of the PGPA Act impose general duties on officials. These general duties include a duty of care and diligence and a duty to act honestly, in good faith and for a proper purpose. For further information, see Resource Management Guide No. 203: General duties of officials.

25. These general duties apply when an official is approving a commitment of relevant money. For example, an official would be expected to take reasonable steps to inform himself or herself of the purposes of the proposed commitment to discharge his or her duty of care and diligence. The steps that would need to be taken would depend on the nature, significance, value and context of the proposed commitment. The accountable authority should establish appropriate processes and controls that provide officials with the necessary information and considerations required to make approvals, such as risk and proportionality appropriate to the circumstances of the entity-for example, through delegations or instructions. The instructions could also require that an assessment of proper use is undertaken when approving the proposed commitment of relevant money. Officials of a non-corporate Commonwealth entity would also be expected to be satisfied that the proposed commitment is not inconsistent with the policies of the Australian Government (section 21 of the PGPA Act).

Guidance – approving commitments of relevant money

26. Officials approving commitments of relevant money should ensure they are suitably informed of any particular statutory obligations associated with their decisions and other relevant guidance and requirements. The duty of care and diligence that is imposed on all officials by section 25 of the PGPA Act requires that in exercising their powers, performing their functions and discharging their duties, officials must do so with the degree of care and diligence that a reasonable person would exercise in the same position.

27. An approval of the commitment of relevant money could relate to a number of transactions, such as a proposal relating to a common group or class of purchases, or relate to a single transaction. Where a proposed commitment of money is approved, that money will not necessarily be spent immediately. It may be appropriate in some cases for the approver to specify a time limit for the approval to commit the money. This could be appropriate when the approver was approving a group or class of purchases that were to take place over time, or in circumstances where there has been a significant elapse of time to ensure that conditions that existed at the time the approval was granted are still in place when the purchase was made.

28. Accountable authorities should ensure that an 'overarching approval' for a common group or class of purchases is only used where risks are properly considered and managed. Whether group approvals are appropriate will depend on matters such as the nature of the arrangements, the extent of the entity's internal controls, the environment the agency operates in and the risk appetite of the delegate. An example is where the requirement for the goods or services is routine, the volume and price is known and the supplier is known, such as in the case of stationery supplies. Even in these circumstances, the approval should relate to a defined period of time, up to a specific dollar limit.

29. Additional risks will exist for commitments that are non-routine and require a higher degree of judgement. Overarching approvals may not be appropriate in these circumstances. Accountable authorities should indicate the circumstance when an overarching approval is appropriate for the entity.

30. In managing the risks of an entity, the accountable authority should take into account the fact that granting indemnities, guarantees and warranties can place significant obligations on the Commonwealth. These contingent liabilities may impact and constrain the ability to allocate future resources of the entity and the Commonwealth more broadly, and should be considered and managed prudently by the accountable authority in accordance with the requirements of section 15 of the PGPA Act. Section 60 of the PGPA Act gives the Finance Minister the power in
primary legislation, to grant indemnities, guarantees and warranties on behalf of the Commonwealth. For further information, see Resource Management Guide No. 414, *Indemnities, guarantees and warranties issued by the Commonwealth.*

**Case Study**

The CFO of Small Entity wishes to provide an overarching approval for the commitment of relevant money for stationery for the financial year. Based on expenses for previous financial years, the CFO can reasonably estimate the annual expense for stationery ($100,000). Small Entity utilises a panel of stationery providers established by its portfolio department. The terms and conditions under the panel arrangement were separately approved (i.e. assessed as being a proper use of relevant money) when the panel was set up.

The CFO of Small Entity provides her approval for stationery purchases from the panel up to a total of $100,000 for the financial year. Once this limit has been reached for the year, a new approval is required from the CFO. Controls are in place to monitor stationery expenses and instructions issued to entity officials on the process for ordering stationery and the type of stationery that can be purchased.

**Case Study - “overarching approval” not appropriate**

The Business Unit Manager of a Large Entity wants to provide an overarching approval for the commitment of relevant money for all future travel within her unit for the financial year.

The expenditure for previous financial years has varied considerably, and a reasonable estimate for travel within the unit cannot be accurately determined.

There are a number of factors that influence the need and cost of each individual travel proposal. These include:

- if the travel is required in the particular situation or if alternatives can be used, i.e. video conferencing;
- if the type and class of travel is appropriate for the situation;
- if the additional costs associated with travel are appropriate, such as accommodation, meals and incidentals; or
- if the timing of travel qualified for best fare of the day, or was in line with other government policies.

Based on the variety of circumstances and the costs involved with an individual travel proposal, the Business Unit Manager decides that travel should be considered and approved by an appropriate delegate within the Large Entity on a case-by-case basis.

**Guidance – recording approval**

31. Section 18 of the PGPA Rule includes the mandatory requirement for an approval of relevant money to be recorded in writing as soon as practicable after it is given. This creates a clear evidentiary trail against which the official can be held to account for their proper use of relevant money.

32. In considering what form the approval should take, the official should consider who is going to rely on the record and ensure that the record is proportionate to the significance, value, level of risk and sensitivities associated with the proposed commitment. For example, when hiring...
a taxi to go to an official meeting, the cab charge voucher and a receipt from the taxi driver could themselves be sufficient to record the approval.

33. A written record of an approval for the purposes of section 18 of the PGPA Rule does not need to be a record made on paper. An electronic record of an approval, such as an email, or within an information system, (where a delegate 'presses a button'), would satisfy the requirement if it creates a record which could be retrieved, (see section 12 of the Electronic Transactions Act 1999). The approval could also be a signed minute, a signed purchase order or purchase order request, proportionate to the size and risk of the commitment.

34. Depending on the complexity of particular approvals, or the dollars involved, an accountable authority could also establish processes that require officials to record the terms and/or basis of particular approvals. An accountable authority should require a higher level of documentation by delegates for higher risk activities, such as significant and/or high value procurements.

35. The information that might be required in documenting particular approvals could include factual information, such as the parties involved and the costs of the proposed commitment. For high-risk commitments the terms of the approval may also include, where appropriate:

- the key elements of the proposed commitment, such as the item, cost, parties, timeframes and any risks associated with the proposal;
- any conditions on the approval, such as timing, or additional approvals; and
- contingent liabilities, such as indemnities.

36. If applicable, entities will also need to have regard to specific requirements for documenting approvals under the Commonwealth Grant Rules and Guidelines and the Commonwealth Procurement Rules. For example, recording the basis of an approval for a grant.

37. The basis of the approval could also be sought in particular circumstances, including the reasons for the official's decision, such as information about why the official was satisfied that the proposed commitment was consistent with the accountable authority's requirements about the proper use of relevant money.

Part 4 – Entering into arrangements

Guidance - entering into arrangements

38. Relevant money can become 'committed' when an entity enters into an arrangement under which money is, or may become, payable. The power for Commonwealth entities to enter into, vary or administer an arrangement is derived from the Constitution and/or Commonwealth legislation.

39. This power is usually delegated to officials within entities (or, alternatively, officials are authorised to exercise this power) to enable them to enter into, vary or administer arrangements of behalf of the entity. If applicable, officials need to be aware of the requirements in the Commonwealth Procurement Rules and the Commonwealth Grant Rules and Guidelines before entering into a procurement or grant arrangement.

Entering into arrangements by Corporate Commonwealth entities

40. Corporate Commonwealth entities are legally separate from the Commonwealth and can act on their own behalf in exercising certain legal rights, such as entering into contracts. The
authority for these entities to enter into contracts is normally contained in their enabling legislation, or by virtue of their separate legal personality. Officials of a corporate Commonwealth entity should only enter into an arrangement on behalf of the entity where they have been properly authorised to do so, including through powers in enabling legislation.

### Entering into arrangements by non-corporate Commonwealth entities

41. Non-corporate Commonwealth entities are part of the Commonwealth for legal purposes. They act on behalf of the Commonwealth and their actions are regarded as actions of the Commonwealth.

42. Section 61 of the Constitution supports the executive government entering into (and also varying and administering) arrangements for the ordinary and well-recognised functions of the government. Under section 23 of the PGPA Act, the accountable authority of a non-corporate Commonwealth entity can enter into, vary and administer arrangements of this type on behalf of the Commonwealth, to the extent that the arrangements relate to the affairs of the entity.

43. ‘Administering’ an arrangement in this context includes making payments pursuant to that arrangement. A person who undertakes decision-making functions in relation to an arrangement, would be administering the arrangement. This person should have a delegation or an authorisation of the power in section 23(1). For example, a contract manager might make decisions that a milestone has been reached by the contractor and that payment is to be made to the contractor for reaching the milestone. A person performing processing tasks in relation to an arrangement, without making any decisions about the arrangement, is not administering the arrangement for the purposes of section 23(1).

44. Section 23 of the PGPA Act defines an ‘arrangement’ to include a contract, agreement, deed or understanding. This definition is broad and covers contracts as well as any other instruments between private parties that create rights and obligations. Examples of the range of agreements captured by section 23 include, memoranda of understanding (either between Commonwealth entities or between governments), standing offers and grant agreements. The types of arrangements that an accountable authority of a non-corporate Commonwealth entity (or a delegate) would enter into relying on section 23 are arrangements for the ordinary services and functions of government. These could include:

- procurements for the purposes of running the entity (such as, stationery, furnishings, Information Technology (IT), electricity and other utilities, rent, travel, vehicles, subscriptions or attending conferences)
- engaging and paying contractors, provided they are engaged in the ordinary activities of the entity (such as, IT consultants and contractors engaged to perform research for the entity)
- legal, accounting and other professional services required by the entity.

45. A delegation of section 23(1) of the PGPA Act, is not required for the following which are not arrangements:

- statutory entitlement payments such as a social security benefit;
- engaging employees under legalisation, such as the Public Service Act 1999; or
- appointing persons to a statutory office.

46. In some circumstances legislation, such as, section 32B of the Financial Framework (Supplementary Powers) Act 1997, may expressly authorise the Commonwealth to enter into

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2 This is the term used in Williams v Commonwealth [2012] HCA 23. The term ‘ordinary services and functions of government’ is also used in this guide.
particular arrangements and engage in related expenditure for other purposes (that is, for purposes other than the ordinary services and functions of government). Where legislation other than the PGPA Act authorises the Commonwealth to enter into and administer arrangements, in some cases, delegations may need to be made under that other legislation to allow officials within an entity to perform these functions.

47. The phrase ‘arrangements relating to the affairs of the entity’ in section 23 is intended to be read in broad terms. The Government will generally expect entities to work cooperatively in a range of areas, including the implementation of whole-of-government policies. For example, this might include one entity entering into a contract on behalf of the Commonwealth, where the services can be accessed by other entities, such as occurs currently through the Department of Finance in relation to the leasing of vehicles. There may also be occasions when entities decide cooperatively to share an arrangement that allows the inclusion of other entities.

48. Moreover, some entities will be required, by their nature, to deal with contracts and payments on behalf of other entities. In these cases, arrangements might also be established to reimburse the entity bearing the initial costs of such contracts.

Part 5 – Approvals by Ministers

Section 71 of the PGPA Act: Approval of proposed expenditure by a Minister

(1) A Minister must not approve a proposed expenditure of relevant money unless the Minister is satisfied, after making reasonable inquiries, that the expenditure would be a proper use of relevant money.

(2) If a Minister approves a proposed expenditure of relevant money, the Minister must:
   (a) record the terms of the approval in writing as soon as practicable after giving the approval; and
   (b) comply with any other requirements prescribed by the rules in relation to the approval.

(3) For a Parliamentary Department, the references in subsection (1) or (2) to a Minister are references to:
   (a) a Presiding Officer, for expenditure for which he or she alone is responsible; and
   (b) the Presiding Officers jointly, for expenditure for which they are jointly responsible.

Guidance – approval by a Minister

49. There will be some instances for example, significant or high value items of proposed expenditure, which will be approved by a Minister. If a Minister chooses to personally approve a proposed expenditure of relevant money, he or she must meet the requirements of section 71.

50. Section 71 of the PGPA Act imposes a duty on Ministers not to approve a proposed expenditure of relevant money unless they are satisfied, after making reasonable inquiries, that it constitutes a proper use of the money. There are additional requirements for Ministers when approving grants. For further information see the Commonwealth Grant Rules and Guidelines.

51. The terms of section 71 (specifically, the reference to ‘a’ proposed expenditure) make it clear that a Minister can only approve a particular item of proposed expenditure, rather than a class or group of proposed expenditure.

52. Section 71 requires a Minister to make ‘reasonable inquiries’ about whether proposed expenditure would be a proper use of relevant money. The nature of the inquiries that the
Minister will need to make in a particular case will depend on the nature, significance and value of the proposed expenditure as well as any associated risks.

53. To satisfy himself or herself that particular proposed expenditure would constitute a proper use of relevant money, the Minister can take into account advice from the relevant Commonwealth entity. The entity should take appropriate steps to advise their Minister of the legal requirements of the PGPA Act and any other relevant information (such as, risks or impediments to achieving outcomes, or evidence to justify a recommendation) that may assist the Minister to form a view about whether the proposed expenditure would involve a proper use of relevant money.

54. Section 71 of the PGPA Act requires a Minister to record the 'terms' of the approval in writing. This ensures that there is an appropriate record for accountability purposes. Recording the terms of the approval should include recording relevant factual information such as the parties involved and the costs of a proposed expenditure.