



Australian Government

Australian Government response to Recommendations 3 and 4 in the
Joint Committee of Public Accounts and Audit Report 497:

Inquiry into Commonwealth Financial Statements 2021-22

October 2023

Response to the Committee's recommendations

Recommendation 3

The Committee recommends that the Minister for Finance review the matter and accept the Committee's conclusion that the payment of compensation to terminate the Attack Class submarine project from appropriations provided for non-operating expenses should not have occurred and was against the spirit, if not the letter, of the Appropriations Acts.

The Government notes the Committee's recommendation.

The Government notes the contract termination payment made by the Department of Defence in relation to the Attack Class submarine project was found to be made from a legally valid appropriation source and was correctly accounted for in Defence's financial statements.

The Department of Finance (Finance) will continue to support entities, and Chief Financial Officers (CFOs) in particular, build the technical knowledge and capability of staff in relation to the appropriations framework. For example, during 2022-23, Finance:

- delivered a series of masterclasses, including two on the appropriations framework, to over 1,000 APS staff;
- delivered a targeted series of agency outreach sessions on the appropriations framework to around 1,000 CFOs and APS staff; and
- continued to provide support and advice to Commonwealth entities via quarterly Portfolio Department CFO Forums and quarterly Financial Stewardship Forums (targeted at CFOs and their staff), with a focus on accounting, budgetary, audit, legal, workforce planning and other operational matters of interest to each portfolio.

Recommendation 4

The Committee recommends that the Minister for Finance consider providing additional clarity in the coverage of the Appropriation Bills, including clearly defining an 'equity injection' or 'equity funding' as non-operating expenditure in the terminology and framework used for the Appropriation Bills.

The Government notes the Committee's recommendation.

As part of the 2023-24 Budget, the Government revised the Explanatory Memoranda supporting the 2023-24 Appropriation Bills (as well as the Explanatory Memoranda supporting Appropriation Bill (No. 4) 2022-2023) to clarify the intended use of equity injection funding provided through the even-numbered Appropriation Bills. This practice will continue to be used for future Appropriation Bills

Further opportunities to clarify the use of non-operating funding will be considered as of future economic updates.