



Finance Circular No. 2009/01

To all *Financial Management and Accountability Act 1997 (FMA Act)* agencies

An Introduction to Special Accounts

Purpose

This Finance Circular provides an introduction for [FMA Act](#) agencies on establishing, managing and reporting Special Accounts. It replaces Finance Circular 2003/09 and summarises components of the [Guidelines for the Management of Special Accounts](#) (the Guidelines).

Target Audience

This circular is relevant to FMA Act CFOs and other officials responsible for the management of Special Accounts.

Key Points

1. A Special Account is an appropriation mechanism that notionally sets aside an amount within the Consolidated Revenue Fund (CRF) to be expended for specific purposes. The appropriation authority is section 20 or 21 of the [FMA Act](#).
2. The type of appropriation provided by a Special Account is a *special appropriation*. The appropriation mechanism remains available until the Special Account is abolished. The amount of appropriation that may be drawn from the CRF, via a Special Account, is limited to the balance of the particular Special Account.
3. A Special Account can be established either by:
 - (a) the Finance Minister making a determination under section 20 of the FMA Act; or
 - (b) enabling legislation as recognised under section 21 of the FMA Act.
4. A Special Account determination made by the Finance Minister is a legislative instrument. Both a determination (for a section 20 Special Account) and enabling legislation (for a section 21 Special Account) are considered by the Parliament before becoming law.
5. The determination or Act that establishes a Special Account sets out the purpose clauses (and in most cases also the crediting clauses) for managing the particular appropriation. The crediting clauses specify the amounts that may be legally credited to the balance of a particular Special Account, and the purpose clauses specify the purposes for which amounts may be legally debited from the balance of a particular Special Account.

6. Under no circumstances should the balance of a Special Account be shown as a negative amount as this may indicate that the agency has expended more than the legal appropriation. Agency accounts and records that show a negative balance for a Special Account should be checked for accuracy.

7. A [Chart of Special Accounts](#) that lists the Special Accounts managed by each agency is available on the Finance website. The Department of Finance and Deregulation (Finance) updates the chart whenever a new Special Account is established, an old one is abolished or when the administration of a Special Account changes.

8. A Special Account is not the same as a bank account, although amounts forming part of the balance of a Special Account may be held in either the Official Public Account, an agency official bank account, or partly in both.

9. Depending on its purpose, a Special Account may be credited with amounts from annual appropriations, from third parties, or in certain circumstances with investment income. If an annual administered appropriation is to be credited to a Special Account, the crediting should occur during the same financial year that the amount was appropriated. This is the case because, under the accrual appropriation arrangements, administered appropriations are available only for expenses incurred during the financial year. For further information regarding the reduction of amounts that are surplus to incurred expenses, see section 11, paragraph (1) of the [Appropriation Act \(No. 1\) 2008-2009](#).

Establishing, varying or abolishing a Special Account

When is a Special Account appropriate?

10. Under the Australian Government's financial framework, agencies' operations are ordinarily funded through annual appropriations, and an agency should start from this premise.

11. The option of establishing a Special Account may be considered when it is clear that other types of appropriations are not suitable. For example, there may be a need for increased transparency in some circumstances, including where activities are funded jointly with other governments. The [Guidelines](#) provide further advice on this matter. Agencies should consult with Finance at an early stage when considering the establishment of a Special Account. Agencies should also consider and anticipate the timeframes associated with the creation of a Special Account – including the need for legal checks and Parliamentary scrutiny.

Section 20 Special Accounts

12. Section 20 Special Accounts are established, varied or abolished by determinations made by the Finance Minister. Agencies should first discuss their proposal with Finance at officer level and, if agreed, the responsible Minister should write to the Finance Minister to seek approval. Once a determination is signed, it must be registered on the Federal Register of Legislative Instruments. In most cases, the costs of registration are charged to the agency that manages the Special Account.

13. Determinations to establish or vary a section 20 Special Account must be tabled in both Houses of the Parliament and only take effect after a disallowance period of 5 sitting days. If 5 sitting days are not available in any one parliamentary sitting period, then the determination is held over to the next sitting period for the remaining days.

14. A determination to abolish a section 20 Special Account takes effect when signed by the Finance Minister. Such determinations are also tabled in the Parliament, but are not disallowable instruments.

Section 21 Special Accounts

15. Section 21 Special Accounts are established by separate Commonwealth legislation. Agencies should advise their Minister to write to the Finance Minister when a section 21 Special Account commences, is varied, or is abolished.

16. Section 21 Special Accounts can be varied or abolished only by amending or repealing the legislation which established the Special Account. It is therefore essential to give careful thought to their design.

Managing Special Accounts

17. Agencies must ensure that all amounts credited or debited against a Special Account are consistent with the relevant determination (for a section 20 Special Account) or Act (for a section 21 Special Account). Agencies should develop a thorough understanding of the legal provisions of any Special Accounts that they manage. If unsure, agencies may consult with Finance and, if necessary, obtain legal advice consistent with the [Legal Services Directions 2005](#), which are available on the ComLaw database.

18. Agencies should periodically review the need to retain any Special Accounts that they manage. Agencies are encouraged to abolish Special Accounts which have fulfilled their purpose or can be replaced with annual appropriations. For example, if a zero balance is reported against a Special Account for more than one financial year, this may signal the need to review the Special Account.

Recording Special Accounts data

19. All credits and debits against a Special Account must be entered by the responsible agency in its accounts and records (generally its Financial Management Information System - FMIS), and also reflected in the Central Budget Management System (CBMS), within the Budget Estimates and Actuals Management (BEAM) module.

20. The recorded balance of a Special Account is the legal amount of appropriation available for the Special Account. When agencies accurately reflect Special Account data in CBMS, then the appropriated balance is the BEAM total for a particular Special Account. The cash balance may be held in either the Official Public Account, as represented in the Appropriation and Cash Management (ACM) module of CBMS, an agency official bank account, or partly in both. For guidance on entering Special Account data into CBMS, agencies should refer to Estimates Memorandum (EM) 2009/06 – *Special Accounts and CBMS Data* in the knowledge management component of CBMS.

21. Where a Special Account is used for a variety of activities, an agency may decide to establish sub-ledgers within its accounts and records for increased transparency. However, such sub-ledgers are not reflected in CBMS.

Reporting on Special Accounts

22. Each agency must report on its Special Accounts in its annual Portfolio Budget Statement (PBS) and in the notes to its annual Financial Statements. All Special Accounts data presented in these reports must be consistent with CBMS data. For guidance on preparing the PBS, refer to advice issued by Finance each year on preparing the various Budget papers. For guidance on preparing the Financial Statements, refer to the [Finance Minister's Orders for Financial Reporting](#) (FMOs) on the Finance website.

23. At a whole-of-government level, Special Accounts are reported in the annual *Budget Paper No. 4 - Agency Resourcing* and in the notes to the Consolidated Financial Statements (CFS). Special Accounts data in the Budget Papers, agency PBS and the CFS must be consistent with CBMS data.

Machinery of Government Changes

24. Machinery of Government (MOG) changes may result in the transfer, abolition, variation or establishment of Special Accounts. In most cases, when a function transfers between agencies, the management of any related Special Accounts follow the movement of the function. Section 21 Special Accounts transfer automatically to the gaining agency when the enabling legislation is assigned to the gaining Minister through the Administrative Arrangements Order (AAO). For further detail on managing MOG changes, refer to [Implementing Machinery of Government Changes: A Good Practice Guide](#), which is available on the Australian Public Service Commission website.

25. Agencies should consult with their relevant Agency Advice Unit in Finance on all proposals to establish, transfer, vary or abolish Special Accounts as a result of AAO changes.

Interest payments and investment powers for Special Accounts

26. FMA Act agencies are not permitted to retain interest on the public money that they manage, either from bank accounts or from other types of investments. This policy extends to Special Accounts on the basis that any benefits obtained from the public monies comprising Special Account balances should accrue to the Commonwealth as a whole, rather than an individual agency. The only exception to this policy is when a Special Account meets the interest eligibility criteria detailed below.

27. Where the establishing provisions of a Special Account allow for moneys to be invested outside the CRF, the responsible agency must seek a delegation to invest public money from the Finance Minister under section 39 of the FMA Act, unless investment powers are provided for in separate legislation. Any earnings realised through such investments must be credited to the relevant Special Account. For further guidance, please see [Finance Circular 2005/11 – Investment of Public Money](#) on the Finance website.

28. The criteria to determine whether a particular Special Account is eligible to earn interest are set out in EM 2004/35 – *Interest Payments to Special Accounts*. If the criteria are met, the Special Account can be credited with a direct appropriation that is based on an estimate of the amount of interest earned by the Commonwealth on the amount standing to the credit of the Special Account. Such amounts are calculated in accordance with the methodology set out at Attachment A to EM 2004/35 and are agreed between the agency and Finance. Those amounts are then included in annual appropriation bills, and once available must be credited to the eligible Special Account. EM 2004/35 is available in the knowledge management component of CBMS.

29. Agencies should consult with their relevant Agency Advice Unit in Finance on all proposals to seek interest payments or investment powers for Special Accounts.

Further training

30. Information on Special Accounts training is available on the Finance website. See the [Budget and Financial Essentials \(BFE\)](#) module, ‘*A closer look at appropriations*’.

Contacts

31. For further information about this Finance Circular or Special Accounts generally, please contact the Financial Framework Policy Branch by email at finframework@finance.gov.au, or visit the Finance website at finance.gov.au.

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