AMERICAN Journal of Public Diplomacy and International Studies
Volume 01, Issue 05, 2023 ISSN (E): 2993-2157

Features of Public Budgeting and Control in Australia

Sholdarov D. A
Associate Professor of Tashkent Financial Institute

Navruzova Guzal Olimjon qizi
Master of Tashkent Financial Institute

Abstract: The Australian Accounting Standards Board and the formation of budgetary control. Australian Accounting Standards Board (AASB) for accounting standards for both the private and public sectors is the responsible body.

Australian Accounting Standards (AAS) are consistent with IFRS and IPSAS, except for specific additional requirements applicable in Australia. There are currently 54 standards, 17 of which are dual standards for commercial and non-commercial organizations.

Keywords: Australian Accounting Standards, IFRS, IPSAS, financial control, public financial control and auditing.

The budget process in Australia has undergone profound reform over the past quarter of a century and has been in a state of constant change/reform since the launch of the White Paper on Budget Reform in 1984, which launched the process. The initial reforms were aimed at reducing central access controls and making spending more flexible for ministries and agencies. Line items were systematically combined by streamlining current costs; later, centralized control over the workforce was abolished and the budget was the only constraint on staffing levels. There was an additional system of carrying forward unused running costs to the next fiscal year. These formed the main elements of the Financial Management Improvement Program.

Reforms were closely linked to changes in governments and often drew on extensive reviews and high-level commissions, as well as the experience of states and territories. The initial reforms described above were initiated by the Labor Party after taking office in 1983. Labor remained in office until 1996 when a Conservative coalition came to power. Building largely on previous reforms, the coalition broadened the reform focus to focus more on commercialization and the use of market-type mechanisms. This period coincides with the introduction of a performance-based and performance-based budgeting framework.5 It also saw the passage of the Budget Integrity Act of 1998, which mandated higher levels of budget transparency and accurate disclosure. legislates. Most recently, the Labor Party returned to power in late 2007. The new government has a strong policy platform aimed at increasing openness and transparency in all areas of government.

Australia is a federation of six states - New South Wales (Sydney), Queensland (Brisbane), South Australia (Adelaide), Tasmania (Hobart), Victoria (Melbourne) and Western Australia (Perth) - and two federal territories. -government - Australian Capital Territory (Canberra) and Northern Territory (Darwin). Most public services are the primary responsibility of states and territories, including education, health, welfare and community services, public order and safety, and infrastructure. Except for defence, almost all capital spending is done by states and territories. In short, the activities of the national government appear to be relatively limited. However, the national government is responsible for social transfer payments to individuals based on common national criteria.

The national government collects most taxes in Australia, including on behalf of the states and territories, and is the main funder of the states and territories. The Commonwealth Grants Commission annually recommends that the national government allocate funds to individual states and territories to achieve fiscal equalisation. Under the Single Presentation Framework , all states and territories agree to publish budget data in a standard format to facilitate comparison of each government's budget results and forecasts. National government spending overlaps result in 80% of its annual spending being authorized by "special" (permanent) legislation.

There are three important features of organizational budgeting in Australia. First, various Cabinet committees have a strong role in the budget process. Thirdly, ministries of expenditure have a limited role in the budget process compared to their departments .

The Senior Ministerial Review (SMR) consisted of the Prime Minister, the Deputy Prime Minister, the Treasurer and the Finance Minister. Apart from the respective ministers and their senior political advisers, secretaries and senior officials of three central agencies also attended the SMR. The Prime Minister's Department and the Cabinet of Ministers served as the secretariat of the SMR.

Formally, the SMR usually met once at the beginning of the budget process. His role was to act as a "fiscal watchdog" and unite senior ministers in that capacity. It defined the strategic direction of the future budget, set the agenda and gave recommendations on the means of achieving the set fiscal goals. In times of fiscal stress, the SMR sets overall cost reduction goals. In good times, SMR mainly focuses on eliminating many proposals for new initiatives.

The Expenditure Review Committee (ERC) is a long-standing institutional mechanism within the Cabinet that focuses on expenditure restraint and fiscal responsibility.

Compared to the SBC, its focus is more operational and it meets more often. It consists of seven members: the Prime Minister, the Treasurer, the Minister of Finance, the Assistant Treasurer, the Deputy Prime Minister (also Minister of Education, Employment and Workplace Relations), the Minister of Commerce, the Family and Minister of Housing Affairs . , Public services and local population affairs. The composition may change over time . The Prime Minister usually chairs the first meeting where the overall budget strategy is discussed based on the findings of the SMR/SBC. Subsequent meetings are usually chaired by the Treasurer or the Deputy Prime Minister. The Department of Finance provides key input to the ERC ("Greens" - see below), with the Department of the Prime Minister and Cabinet providing the Committee's official secretariat.

The three central offices are the Department of Finance, the Department of the Treasury (Treasury), and the Department of the Prime Minister and Cabinet.

The Department of Treasury and Finance was a single ministry until 1976 when it was split. Commentators generally interpreted the decision as intended to reduce Treasury exposure. Their split was also linked to the then Prime Minister's great and growing dissatisfaction with the Treasury in terms of economic advice. The Treasury Department at the time wanted the agencies to take on even greater responsibilities and saw their role at the time as that of an investment bank requiring only the broadest of reviews.6 This is discussed below. The number of analytical budget branches representing expenditure ministries has been reduced from 13 to 4, leaving a gap in the center. in the annual budget formation cycle. The Department has lost much of its corporate knowledge of expenditure policy issues, making it difficult for it to exercise an effective budget 'call' function on expenditure ministries and agencies. This situation has changed and over the last few years the Department has recovered its capacity, staffing levels have now returned to previous levels (although overall budgets are much larger). The separation allowed the Treasury to focus on economic and taxation issues, while the Finance Department was able to focus on increasing the expenditure side of the budget. Treasury focuses on economic and taxation matters. However, it is also related to the cost side. As the Finance Department divested itself of many of its functions, the Treasury began to build its capacity in this area. In this construction, the Department of Finance is directed to the expenditure part of the budget and is organized along the same lines and performs functions normally associated with the central budget office. He coordinates the preparation of the expenditure part of the budget and controls the accounting and financial basis of the budget. It analyzes government spending and traditionally presents options for redistribution or spending cuts. It provides critical input for Cabinet Expenditure Review Committee (ERC) deliberations.

The Department of Finance went through a "traumatic" period in the late 1990s and early 2000s. This is a time of major budget reforms. As part of these reforms, the Department abandoned many of its traditional functions as it effectively transferred those functions to spending ministries. Devolution went beyond forcing budget experts to focus on broader issues of spending policy and efficiency rather than on the details of input—such reforms had begun in the early 1980s. The role of the committees is discussed in detail in section 2.3, which describes each stage Central offices. The three central offices are the Department of Finance, the Department of the Treasury (Treasury), and the Department of the Prime Minister and Cabinet. The Department of Treasury and Finance was a single ministry until 1976 when it was split. Commentators generally interpreted the decision as intended to reduce Treasury exposure. Their split was also linked to the then Prime Minister's great and growing dissatisfaction with the Treasury in terms of economic advice. The Treasury Department at the time wanted the agencies to take on even greater responsibilities and saw their role at the time as that of an investment bank requiring only the broadest of reviews.6 This is discussed below. The number of analytical budget branches representing expenditure ministries has been reduced from 13 to 4, leaving a gap in the center. in the annual budget formation cycle. The Department has lost much of its corporate knowledge of expenditure policy issues, making it difficult for it to exercise an effective budget 'call' function on expenditure ministries and agencies . This situation has changed and over the last few years the Department has recovered its capacity, staffing levels have now returned to previous levels (although overall budgets are much larger). The separation allowed the Treasury to focus on economic and taxation issues, while the Finance Department was able to focus on increasing the expenditure side of the budget. Treasury focuses on economic and taxation matters. However, it is also related to the cost side. As the Finance Department divested itself of many of its functions, the Treasury began to build its capacity in this area.

The Budget Policy Group of the Treasury is usually set up to shadow each ministry, such as the Budget Office. It provides a "strategic structural orientation" in which it considers aspects of government spending that contribute to or detract from the structural adjustment needed to improve economic performance. It has been described as a "think tank" on public spending. All budget discussions are structured around ministerial portfolios, each headed by a Cabinet Minister. There are currently 17 such portfolios. (There were 16 under the previous government.) Portfolios can be quite large and cover many organizations, including a major ministry and many agencies of different sizes and shapes (see the discussion in Section 4.1 on organizational structure) . . The minister is responsible for all subjects in his portfolio. The Treasury is also directly responsible for fiscal relations with the states and territories. Intergovernmental fiscal relations are a key and sensitive issue in Australia.

The Department of Prime Minister and Cabinet (PM&C) has a natural role to play in supporting the Prime Minister as Head of Government and managing the wider Cabinet processes underlying government decisions in this area. As part of the SBC and ERC Secretariat, he plays a key role in setting the strategic agenda for the budget. The Prime Minister's Office has always had a desk staff structure that oversees each ministry - again, much like the budget office is usually set up. The role of this desk is to advise the Prime Minister on spending and revenue proposals from a whole-of-government perspective, integrating the government's policy objectives, economic and fiscal strategy and portfolio ministers' policy objectives.

The limited role of ministries of expenditure in relation to their own departments is very evident in the budget process. All budget discussions are structured around ministerial portfolios, each headed by a Cabinet Minister. There are currently 17 such portfolios. (There were 16 under the previous government.) Portfolios can be quite large and cover many organizations, including a key ministry and many agencies of different sizes and shapes. The minister is responsible for all subjects in his portfolio.

However, from a budgeting point of view, portfolios are just a group of unrelated individuals, all of whom report directly to the relevant minister. Key portfolio ministries often have a weak coordinating role within a portfolio. Indeed, the Department of Finance maintains direct relationships with each major agency in the portfolio, rather than focusing on a key portfolio ministry that in turn maintains relationships with each relevant agency. . This is an unusual practice. The Department of Finance specifically focuses on the 50 largest agencies, which are responsible for 99% of all spending; these are known as material agencies.

In today's fiscal environment, each major agency is essentially an independent unit on “autopilot” with respect to the budget process through the forward-looking accounting process (see below). An agency's interaction with its own ministry or participation in the SBC/ERC process will only see additional proposals for increased funding. As discussed later in this article, agencies have broad discretion to reallocate their resources. Australia's system of Cabinet Committees also promotes shared ministerial responsibilities rather than the 'each minister for their own finance minister' model. Fiscal target setting is a two-step process that includes the statutory "Principles of Sound Fiscal Management" and the annual "Fiscal Strategy Statement" prepared by the government. This should not be interpreted as a criticism of the greater flexibility given to agencies. Australia has been a pioneer in this field and the experience is very positive. The observation made here concerns the interaction between the agencies in each portfolio and their parent ministries.

The reports are the Economic and Fiscal Outlook released at the time of the budget, the Mid-Year Economic and Fiscal Outlook released approximately six months after the budget, and the Final Budget Results released three months after the end of the fiscal year. report on generations. In addition, the Regulation requires the presentation of pre-election economic and financial prospects within ten days of the election (see paragraph 6). The Intergenerational Report, designed to assess the long-term sustainability of current government policies, should be produced at least every five years.

The first phase of the cycle involves the Treasurer and Minister of Finance presenting to Cabinet the process and timetable for the next budget. After the Cabinet reviews the submission, the Finance Department will issue a budget tweet detailing the timeline and operational rules for the upcoming budget-making process. The document is largely technical in nature, setting deadlines for different stages of the budget process and setting thresholds for different treatment of different proposals - for example, what will be considered by the Cabinet Expenditure Review Committee (ECC) and what will not. will be considered. "minors" process (see clause 13). Although the budget cycle is similar from one year to the next, changes may be made after a "post-mortem" evaluation of the previous year's process. The new government has simplified the budget circular.

The Treasury updates its economic forecasts quarterly, but produces two sets of published forecasts per year – the Budget and the Mid-Year Economic and Fiscal Forecast (MIEFO). Published estimates provide the economic basis for estimating revenue and expenditure items that appear in the budget and MEFFO.

These Treasury economic forecasts are submitted to the Joint Economic Forecasting Group, which consists of the Reserve Bank (Central Bank of Australia), the Australian Bureau of Statistics, the Department of Finance and the Department of the Prime Minister, in addition to the Treasury. and the Cabinet. These groups act as "quality control" for the forecasts. The group includes only officials; Ministry offices have nothing to do with it.

Economic forecasts provide an important input to the Treasury's tax revenue projections. Treasury forecasts tax revenue in consultation with the Australian Taxation Office and the Australian Customs Service. Tax revenue estimates are updated to reflect the latest economic performance and tax collections, as well as updated economic forecasts. In recent years, the Treasury has devoted significant resources to improving its revenue forecasting skills, particularly to better understand the relationships between economic forecasts and the various tax bases. For the first time, the 2008/09 budget released data on tax revenue forecast indicators, which attempt to clearly define the relationship between the economy and tax revenue.

The Australian Parliament's role in the budget process is limited by clear constitutional constraints, a strong Westminster15 political tradition, strong party discipline in the two major political parties and an electoral system that does not usually see minor parties elected to the lower house. Parliament - House of Representatives. The performance budgeting system (see section 3.3 below) served to further limit the role of Parliament. In addition, 80 percent of annual expenses are authorized by "special" (permanent) legislation. In other words, the parliament approves only 20% of the total expenditure during the annual budget approval process. Although statutory expenditure estimates are set out in annual budget documents and can be debated within the framework of regular parliamentary scrutiny, their modification would require amendments to existing legislation. Thus, another practical obstacle was placed on the role of the parliament in the budget process.

The Auditor General is responsible for providing audit services to Parliament and public sector entities. The Auditor General is appointed by the Governor General on the recommendation of the Prime Minister for a term of ten years. A parliamentary committee must approve or reject any proposed appointment to the post of Auditor General. One person cannot be appointed as the Chief Auditor twice. The Auditor-General is the Chief Executive Officer of the Australian National Audit Office (ANAO) and an independent officer of Parliament.

The purpose of the ANAO is to provide Parliament with an independent assessment of selected areas of public administration and assurance about public sector financial reporting, management and accountability. It does this primarily by conducting an audit of financial statements and results. The ANAO does not exercise management functions and does not have an executive role. It audits the financial statements of all businesses controlled by the Australian Government and assesses where improvements can be made. As part of its role, the ANAO seeks to identify and publish broad messages and lessons learned through audit activities, generally for the benefit of the public sector. ANAO Better Practice Guides distribute lessons on specific aspects of administration. The Auditor General has full discretion in the performance or exercise of his functions or powers within the limits of the relevant laws. In particular, the Auditor General is not subject to anyone's instructions as to whether or not to conduct a particular audit, the method of conducting a particular audit, or the priority given to any particular matter. At the same time, the ANAO takes a broad consultative approach to its forward-looking audit programme, taking into account parliamentary priorities, taking into account input from the Joint Public Accounts and Audit Committee (see paragraph 21) and other stakeholders. .

The Joint Public Accounts and Audit Committee is appointed at the beginning of each parliament. It has 16 members: six are appointed by the Senate and ten are appointed by the House of Representatives. The committee consists of a majority of government members and, by convention, is chaired by a government member. The chairman is always a member of the opposition.

The committee's mission is to hold the government accountable for the legality, effectiveness, and efficiency of the use of public funds. The Committee does this primarily by providing a formal link between the Australian National Audit Office and Parliament. The Committee is required to consider all reports of the Auditor-General to Parliament and to report to the House and Senate on any matters which the Committee should bring to the attention of Parliament. advises Auditor General of the priorities of the parliamentary audit. In addition, the Committee must approve or reject proposals for the appointment of the ANAO's Auditor-General and independent auditor. It also reviews the ANAO's annual resource requirements and operations.

Australia has one standard setter covering both the private and public sector, the Australian Accounting Standards Board (AASB) . In 2000, the separate Public Sector Accounting Standards Board and the Australian Accounting Standards Board merged. The current Council describes previous agreements as "the result of repeated efforts to reach the same conclusions". The basis of the merger was that public sector financial reporting issues would continue to receive due consideration; At the moment, the work program of the Council includes a number of public sector issues, but this situation will be discussed.

The AASB has a full-time chairman appointed by the government and part-time members appointed by the Financial Reporting Council (FRC), which acts as the AASB's independent oversight body. The number of part-time members is determined by the FRC from time to time. There are currently twelve members, three of whom are public sector preparers and one is a public auditor general - giving the public sector a third of the part-time members. Although there is no formal quota system, the target Council includes relevant representatives from the public sector, academia, the accounting profession and corporations. The board also includes a representative from the New Zealand Financial Reporting Standards Board. The AASB has its own technical, research and administrative staff.

In promulgating its accounting standards, the AASB had a policy of sector neutrality, meaning that the same standard should apply to both the private sector and the public sector. The AASB relies mainly on (private sector) International Financial Reporting Standards (IFRS) as the basis for its standards and expands and extends the definitions in the form of 'Aus paragraphs'21 to apply them in the public sector context (see Simpkins, 2006). The IASB is currently revising its conceptual framework to focus more on private sector entities, which may increase the difficulty of promulgating IFRS-based standards that also apply to the public sector.

The Finance Department issues Finance Minister's Orders (FMOs). These are regulatory documents that detail how all government bodies (except commercial organizations) prepare their annual financial statements . FMOs prescribe the use of Australian Accounting Standards (AAS). Furthermore, FMOs have two purposes. First, if the AAS allows more than one reporting option, FMOs will dictate which option to use to ensure consistency and facilitate consolidation. Second, FMOs include additional reporting and disclosure requirements that should be reflected in the notes to financial statements to increase accountability and transparency in public financial management. FMOs do not apply to AAS-based consolidated financial statements (see below). There are cases where the Australian National Audit Office has not accepted the FMO's compliance with the AAS. This is related to the depreciation and useful life of heritage and cultural assets.

The financial statements of all Australian government agencies are audited by the Auditor-General and published in the relevant agency's annual report. Individual agencies are strongly encouraged to publish their annual reports, including financial statements, online, and almost all do. Since adopting the accounts, Australia has invested heavily in training and recruiting accounting professionals into government. Australia uses a decentralized accounting system, where government entities typically have their own internal accounting systems and produce their own financial statements. They provide the necessary information to the Finance

Department to prepare the government's financial statements on a monthly basis. All of this is done in accordance with Australian Accounting Standards.

The Australian Government applies two external standards in its budget and related financial reporting. The first is Australian Accounting Standards (AAS), as described above. The second is the Government Finance Statistics (GFS) standards published by the Australian Bureau of Statistics and based on the International Monetary Fund's Government Finance Statistics Manual. The GFS used in Australia is aimed at national government only.a Although both the AAS and the GFS report both cash and accruals, the AAS standards are the benchmark for accruals reporting and the GFS standards for cash reporting .