

What can China learn from Australia's Federal Government Budget Management System?

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Abstract. Since Australia is one of the British Commonwealth countries, it basically followed the British budget system. However, after several years' reform and innovation considering its national conditions, Australia has formatted quite a distinctive government budget system. Through the research and analysis of Australian government budget management system, this essay aims to put forward some new ideas and suggestions for the Chinese government budget management system which is helpful to China's political reform and economic development.

Introduction

Government budget refers to a nation's basic annual expenses and receipts plan of its public finance, and the modern government budget management system originated from England in seventeenth century. At that time, the development of capitalist economy has resulted in government funding expansion, so the public finance income and expenses is increasing rapidly. In order to make use of fiscal funds efficiently, government budget is created as the times require and plays a more important role than ever. Now it has become a core issue in national finance management. The overall goal of modern government budget management is to improve the utilization efficiency of national public finance management and to make the state of public finances distributed in all levels of government and between different geographic areas equally.

There are various government budget management systems all over the world because of different historical backgrounds, social systems and different patterns of economic development. As one of the British Commonwealth countries, Australia originally followed the British budget system. However, after several years' reform and innovation considering its national conditions, it has formatted quite a distinctive government budget system. The following sections of this report will present and analyze Australian government budget management system, to make some new ideas and suggestions for the Chinese government budget management system which is helpful to China's political reform and economic development.

Australian Federal Government Budget Management Functional Organizations

The administrative and legislative branches of the Federal Government of Australia share the budget management functions. The administrative branch is responsible for the preparation and implementation of budget, and the legislative branch is responsible for approving and auditing part. Its biggest feature is the clear division of responsibilities which can effectively avoid the excessive concentration of power. This embodies the idea of separation and balances of powers, to closely monitor and control the entire budget process. Management of the federal government's budget is mainly related to three organizations: the Cabinet, Parliament and the National Audit Office. The three have different emphases, performed jointly by the federal government budget management functions.

The Cabinet. From the British budget system, the Cabinet has the absolute control of government budget, which improves government work efficiency and financial freedom to some extent. But unlike the British HM Treasury's taking everything on budget preparation and implementation, the Australian federal government cabinet separates the authority into two independent departments, the

Treasury and the Finance, which are mutual supervision, jointly responsible for the federal budget the preparation and implementation. Specifically, the Treasury is mainly responsible for the revenue budget and Macroeconomic policies, including economic forecasts, economic reform, tax policy, international agreements and government transfer payment.[1] While the Finance is mainly responsible for the federal government expenditure budget and routine implementation, key asset management and sales, as well as provide strategic advice to the operation of the government .[2] The federal government separates revenue and expenditure budgeting to different departments, so the budget preparation is less influenced by implementation and can reduce the arbitrariness of the budget effectively. [3]

The Parliament. Through the exercise of legislative power, the Parliament plays the most important role in counterbalancing the government and it has the ultimate control rights on the government budget. This kind of control is twofold. The Australian Constitution stipulates that, first of all, the tax legislation must be approved by parliament before it can be implemented; secondly, and more importantly, government spending must be authorized by legislation.

Not like the British House of Commons which dominates the legislative power, the Australian House of Representative and the Senate have almost the same legislative authority, responsible for the supervision of government fiscal expenditure, ensuring the government use public funds in accordance with the parliamentary approval and protecting the taxpayers' best interests, but the Senate still does not have right to make or modify tax or government spending bills.

In addition, the Joint Committee of Public Accounts and Audit (JCPAA) under the Federal Parliament is responsible for determining the annual federal budget audit critical issues, auditing the annual audit reports made by National Audit Office, and evaluating National Audit Office audit quality.[4]

The Australian National Audit Office (ANAO). The Australian National Audit Office is a unique professional public sector that is independent from the government and parliament. It offers a full range of audit services for the Parliament and the Government, reporting directly to Auditor-General, who is an independent officer of the Parliament. The ANAO is responsible for the federal government's performance assessment, financial statement audit and assurance review, to evaluate the government's budget implementation over the past year objectively, including financial reports, administration and accountability, but the national audit office is used only to provide specialist reports and recommendations, and does not exercise management functions or have an executive role.[5]

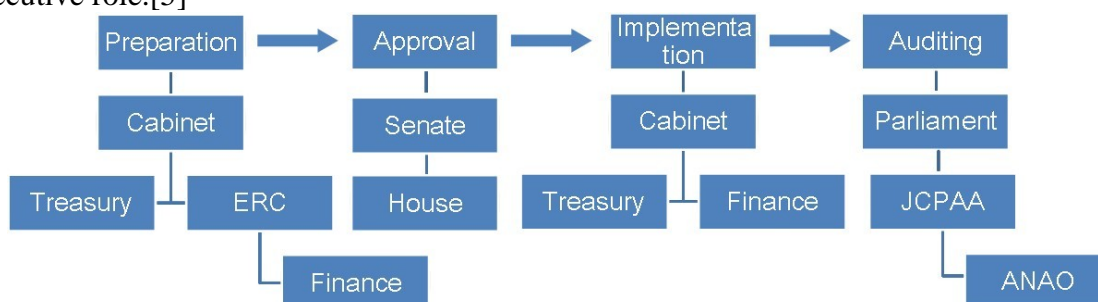


Fig 1: Australian federal government budget management process

The Australian Federal Government Budget Process

Australian federal government budget is in accordance with the fiscal year, that is from July 1st to next June 30th. The Australian federal government budget process lasts for a long period of time, generally 8 months prior to the beginning of the new budget year, it starts preparing department budget, and after the end of the budget year, 3 months are spent to complete the financial reporting review.

Taking the fiscal year of 2012 as an example, the following parts will specify Australian current budget procedure from five aspects: budget preparation, approval, implementation, audit and budget information disclosure.

Budget Preparation. The Australian federal government attaches great importance to the national economic analysis and forecast, so the government budget is based on scientific prediction, reflecting the domestic and international economic situation, as well as government policy orientation. The Australian federal government generally prepares a 1+3-year rolling plan, containing not only specific income and expenditure data, but also economic and fiscal outlook and economic development opportunities and challenges. Rational budgeting cycle can timely reflect national policy direction, monitoring and evaluating the government fiscal policy and budget implementation more effectively.

Every year, the Australian federal government starts to set the budget in October and it lasts 8 months. Specifically, it mainly includes the following stages: (1) in October 2011, the Department of Finance and Deregulation (the Finance) formulates total scale of expenditure budget guidelines according to the Treasury's income forecast of next fiscal year. Based on the guiding principles, government departments prepare budget proposals of next fiscal year and the next three fiscal years combining with its own development plan, and submit to the Finance; (2) in November 2011, the Finance gathers and compiles the federal government expenditure budget, together with the departments' budget proposal submit to Expenditure Review Committee (ERC) under the cabinet spending to review; at the same time, the Senior Ministers' Review composed by Prime Minister, Federal Treasurer and Minister for Finance and Deregulation develops the new fiscal year's strategic priorities. (3) In February 2012, after discussions with various government departments, the Finance determines the federal government expenditure budget, including a detailed budget of the next fiscal year and a gross prediction for the next three years. (4) In March 2012, Expenditure Review Committee (ERC) undertakes a pre-budget review, ensuring the expenditure budget has correctly reflected the policy orientation; (5) In April 2012, the Treasury forms a complete federal government budget based on the previous preparations and submits to the cabinet. (6) In May 2012, the cabinet submits the budget proposal to the parliament, waiting for parliament's approval. [3]

Budget Approval. The Parliament approves the federal government budget through three readings program which usually takes 2 months. Sufficient processing time allows the legislative branch to fully consider the contents of the government budget, and the impacts it will have on various aspects of the country as a whole. Besides, this provides enough time and opportunities for the legislative branch to question and debate on the budgets and proposes amendments.

In particular, the House of Representative conducts the first reading after receiving the budget proposal submitted by the Cabinet. The first stage is first reading. It is purely formal and the Clerk of the House reading out the bill's long (or full) title as follows 'A Bill for an Act to appropriate money out of the Consolidated Revenue Fund for the ordinary annual services of the Government, and for related purposes'. The Treasurer then moves 'That this bill be now read a second time' and delivers the second reading speech on the bill, in which the Treasurer compares budget estimates and actual expenditures of the previous fiscal year, reviews the country's economic condition, and claimed that the expected revenues and expenses of the government for this fiscal year, including the payment of the planned expenditure by taxation. Subsequently, the ruling party and the opposition parties will carry on a big debate majoring in the basic principles of the budget for a few weeks, and vote to decide whether the budget should pass or not. After the second reading has been agreed to, the bill is considered in detail when a bill is to be considered clause by clause and propose amendments to the House of Representatives. The House again debate on the amendment and recommend changes. Then the budget immediately moves into the third reading and this is the last debate on the contents of budget by the House of Representatives. However, the third reading usually only discusses the existing content on the budget and makes some linguistic modifications. Finally, the House of Representatives vote on whether to approve the budget. After the approval of the House of Representatives, the budget proposal is sent to the Senate.[4]

The Senate immediately refers these details to its eight legislative and general purpose standing committees to conduct estimates hearings. During these hearings Senators are able to question representatives of government departments about the proposed expenditures. The hearing allows the participation of the public and the news media, and it also invites experts to provide professional

advice. However, the committees do not have permission to modify the budget, it can propose amendments to the Senate. If the Senate makes changes to the budget passed by the House, the budget must be returned back to the House of Representatives. After three readings, the House decides whether to approve the amendment or not and the House make the final decision. The budget is approved by both houses through three readings, and then it come into effect signed by the Australian Governor.[4]

Budget Implementation. Once the budget is passed by Parliament and signed by the Governor, it is finalized on the form of legislation and becomes the basis of government income and expenditure of the new financial year. The Finance is responsible for the supervising whether the use of fiscal funds is within the range approved by the Parliament [1], and the Treasury is responsible for the specific allocation of budget funds and transferring Commonwealth payments to the State and Territory governments.[2]

The most outstanding point of Australian federal budget management system is that federal government will prepare a supplementary budget in November, the half of the budget year, in order to respond to the changes in t government income and expenditure, and sudden accidental events. The supplementary budget needs to be submitted to the Parliament for review and pass the three readings process, same as the annual budget proposal. Australian Government budget adjustments involve quite a wide range, including not only the changes in revenues and expenditures amount of the budget, but also changes in sources of income, in expenditure purposes, and even in the income and expenditure time, any different from the budget, all need to report to get the legislative branch approval. This legislative branches' comprehensive control of the budget adjustment reflects the seriousness of the government budget and the rule of law.

Budget Audit. After the end of the budget year, settlement reports prepared by the administrative departments are submitted to the legislative authorities for approval, and simultaneously an independent institution audits the settlement reports, the audit reports need to be submitted to the legislative branch as well. This setting can ensure the audit independence, impartiality and authority, in favor of the legislative branch's supervision and restraint of the executive branch.

Two institutions are responsible for Australian federal government budget implementation audit, one is the Parliament's Joint Committee of Public Accounts and Audit (JCPAA), the other is relatively independent Australian National Audit Office (ANAO).

Joint Committee of Public Accounts and Audit (JCPAA) belongs to the Parliament, mainly responsible for determining the annual federal budget audit focus and priorities, review annual audit reports submitted by ANAO, and evaluate ANAO's audit quality. JCPAA has the right to examine and report on any matters connected with the financial accounts or statements of Australian Government agencies or raised in reports of the Auditor-General, has the right to hold a public hearing on major issues, and questions related personnel. The JCPAA also undertakes quarterly reviews of reports to assess whether agencies have responded appropriately to the Auditor-General's findings. JCPAA audit reports can be directly submitted to Parliament without any requirement for approval. The Finance will issue the notice to various federal departments, requesting responses to JCPAA's suggestions in 6 months.[4]

At the beginning of each year, usually in February, the Australian National Audit Office (ANAO) need to communicate with JCPAA, determining the annual budget audit plan, especially audit priorities, as well as the specific methods of public income and expenditure Deregulation. At the end of November, ANAO completes the audit report of various federal departments budget implementation, and submits it to parliament, directly releasing to the public at the same time. [5]

Budget Information Disclosure. Australia basically has formed a relatively complete mature budget information disclosure system with comprehensive, transparent, timely information and diverse distribution channels. Full disclosure of the budget is able to improve the public attention and supervision on the government budget, make the government allocate more resources to the areas of social need efficiently, and actively promote the government to perform their duties.

The Australian federal government not only releases the annual budget, and also releases all reports in entire budget process. Specifically, every October, the federal government departments

will publish recent economic reference data, for the Treasury's preparation of Mid-Year Economic and Fiscal Outlook (MYEFO). MYEFO generally is announced before the end of January each year, which mainly contains the forecast for Australia's economic and financial condition in the next year, and also update the details of changes in tax revenues and government spending used to assess the performance of the government fiscal policy. The federal government departments will further track the country's economic situation in the following months, and submit the second and third parts of the economic and financial forecasts to the federal government in early February and April next year respectively, preparing for the new fiscal year budget. After Parliament's approval, the government budget will be disclosed for inspection by the public. In addition, the Australian federal government is also considering the issue of government change. The Charter of Budget Honesty Act 1998 (the Charter) provides for the Secretary to the Treasury and the Secretary to the Finance (the Secretaries) to publicly release a Pre-Election Economic and Fiscal Outlook report (PEFO) within ten days of a general election, claiming that the Treasurer is responsible for budget income and tax information, the Minister for Finance and Deregulation is responsible for the budget expenditure. This ensures the reliability and consistency of information and the budget will not lose its authenticity because of the change of government.

In information disclosure channels, the Australian government does especially in place. What's more, the public can observe all the proceedings, both house and Senate's meetings of budget proposals, which provides the public the most direct opportunity to learn how the federal government to develop the economic and fiscal policies and the federal budget. As for the announcement of the federal government budget documents, the Australian government is more inclined to the official government website. Australia not only has a specialized budget website for announcement of the budget and related information (<http://budget.australia.gov.au/>), but also in the portal of the Government of Australia, the website of the Australian Parliament, the Australian Treasury and the Finance websites, the specifically announced budget information can be found on the plate. Budget information is released clearly: the budget documents are listed in accordance with the financial year, including annual budgets, the MYEFO, the final budget outcome, portfolio budget statements, portfolio supplementary estimates statements, portfolio additional estimate statements and ministerial; statements. More intimate, annual budget can be segmented view, directory explicitly marked with the contents of the file and content, it is very convenient for user's queries and download.

Recommendations

Although there are some differences between China and Australia in terms of economic development level, social system and the government budget management pattern, both of the two governments have the same pursuit of improving the level of government budget management and public finance efficiency of fund utilization, therefore China can learn a lot from the practices of the Australian federal government.

First, in the institutional power allocation, to strengthen the review and supervision rights of the National People's Congress(NPC) on all aspects of government budget accounts, China should standardize the operating procedures of the NPC's budgetary authority, improve the status of Budget Committee in the legislative branch to ensure its independence, and enrich the professional and technical staffing, to form effective balances between the government and the National People's Congress, the administrative branch and the legislative branch.

Second, in the budget preparation, approval, execution, auditing and information disclosure process, first of all, it is of great need for China to learn from the Australian pattern, gradually begin to compile "1 + x"-year rolling budget plan, lengthen the budget year, broaden the budget scope, strengthen the prediction and analysis of the macroeconomic situation, improve budget stability and scientific, truly realizing the policy guidance and performance evaluation functions of rolling budget; Secondly, China ought to ensure the time and quality of the National People's Congress' consideration on the government budget, and improve the effect of the government budget approval;

Again, China should enhance the operability of the budget Law provisions, regulate the implementation and adjustment of the budget process to increase the seriousness of our government budget and the legal system; then China has to increase audit independence, strengthen legislative control of the audit process, so that the audit departments can play an effective role in budget implementation, put strong constraints on government activities; Finally, China needs to improve the transparency of the budget information, and diversify the budget information dissemination channels, which can enable the men in the street to have a timely and effective access to the latest government budget information, grasp the government's policy-orientation and better monitor the oversight of government actions.

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