

- 4.001 When approving or validating unappropriated expenditure, two separate legislative devices are on occasion being used to validate over-expenditure on the same Vote item. We believe this is unnecessary.
- 4.002 The Constitution Act 1986 and the Public Finance Act 1989 both provide that no expenditure of public money shall be made other than in accordance with an appropriation by an Act of Parliament. The general intention is that executive government should not lawfully be able to expend public money unless Parliament has first agreed to that expenditure (by means of an Appropriation Act that sets limits on the amount that may be spent). However, the practicalities of passing legislation may create timing issues at the start and end of the financial year.
- 4.003 Section 12 of the Public Finance Act 1989 provides that the Minister of Finance may approve the spending of public money in excess of appropriation in the last three months of any financial year, where the Minister considers that the spending of that money should be approved. This provision is to help manage year-end timing issues. The Minister's approval is limited to 1% of the total of the appropriations made to the Vote in question in the financial year in which the expenditure or expenses or liabilities were incurred.
- 4.004 The Public Finance Act 1989 also provides that a statement of expenditure or expenses or liabilities incurred under the authority of section 12 is to be included in an Appropriation Bill for the next financial year, for confirmation by Parliament.
- 4.005 Parliament's authority is also required to validate expenditure or expenses or liabilities not appropriated in the financial year in which they were incurred that:
- exceed 1% of the total appropriations to the Vote; or
 - have not been approved by the Minister of Finance.
- 4.006 Although it need not be so, one Appropriation Bill has always been used for both of the purposes described in paragraphs 4.004 and 4.005.

VALIDATING EXPENDITURE IN EXCESS OF APPROPRIATION

- 4.007 Where unappropriated expenditure exceeds 1% of the total of all appropriations to the Vote, it has become the practice that the Minister of Finance approves the unappropriated expenditure up to 1% of total appropriations. The balance is then subject to separate validation.
- 4.008 It seems to us that there is little benefit to be gained from the Minister giving approval to that part of the unappropriated expenditure which is allowed to be incurred under section 12. The relevant Appropriation Bill will make reference to *all* the unappropriated expenditure – either in the clause that provides confirmation of the Minister’s section 12 approvals, or in a separate clause seeking validation of the balance of the unappropriated expenditure, or in a separate clause dealing with both matters.
- 4.009 In our view, transparency and parliamentary accountability would be better served if validation of any unappropriated expenditure that in total exceeds 1% of total appropriations to that Vote should be sought only by means of a specific clause in the relevant Appropriation Bill. The only exception to this rule would occur when a section 12 approval had been sought before the end of the financial year and was given before it was realised that total unappropriated expenditure had unexpectedly exceeded 1% of total appropriations.

