

CASE STUDY: CENTRAL BUDGET MANAGEMENT SYSTEM (CBMS) IN THE FEDERAL GOVERNMENT OF AUSTRALIA

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BUCHAREST

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Five Generations of Major Systems

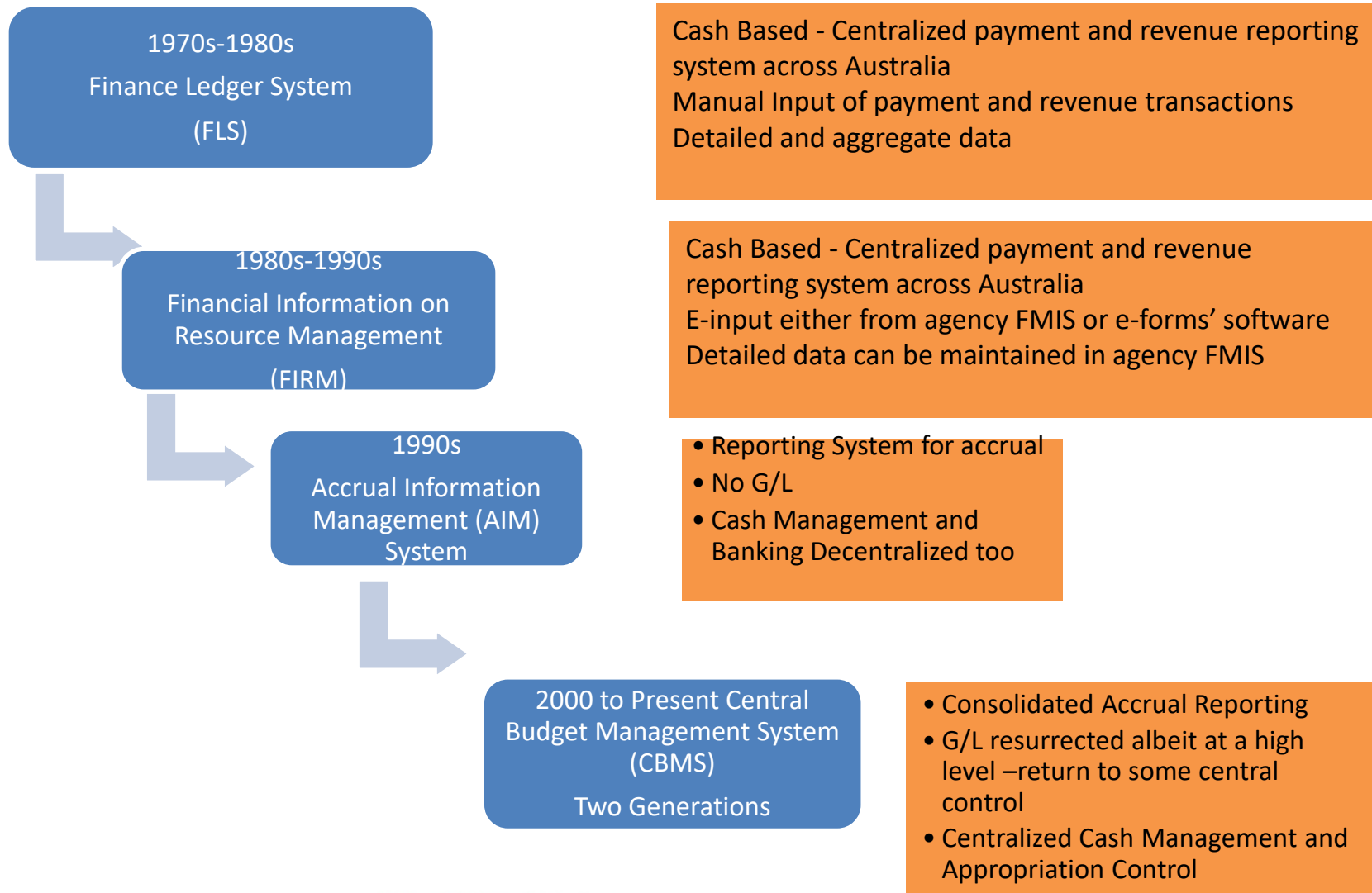
Background – Roles and Responsibilities in the PFM Framework

Central Budget Management System (Version 2)

Summary and Conclusions

*Based on information from the Department of Finance Website

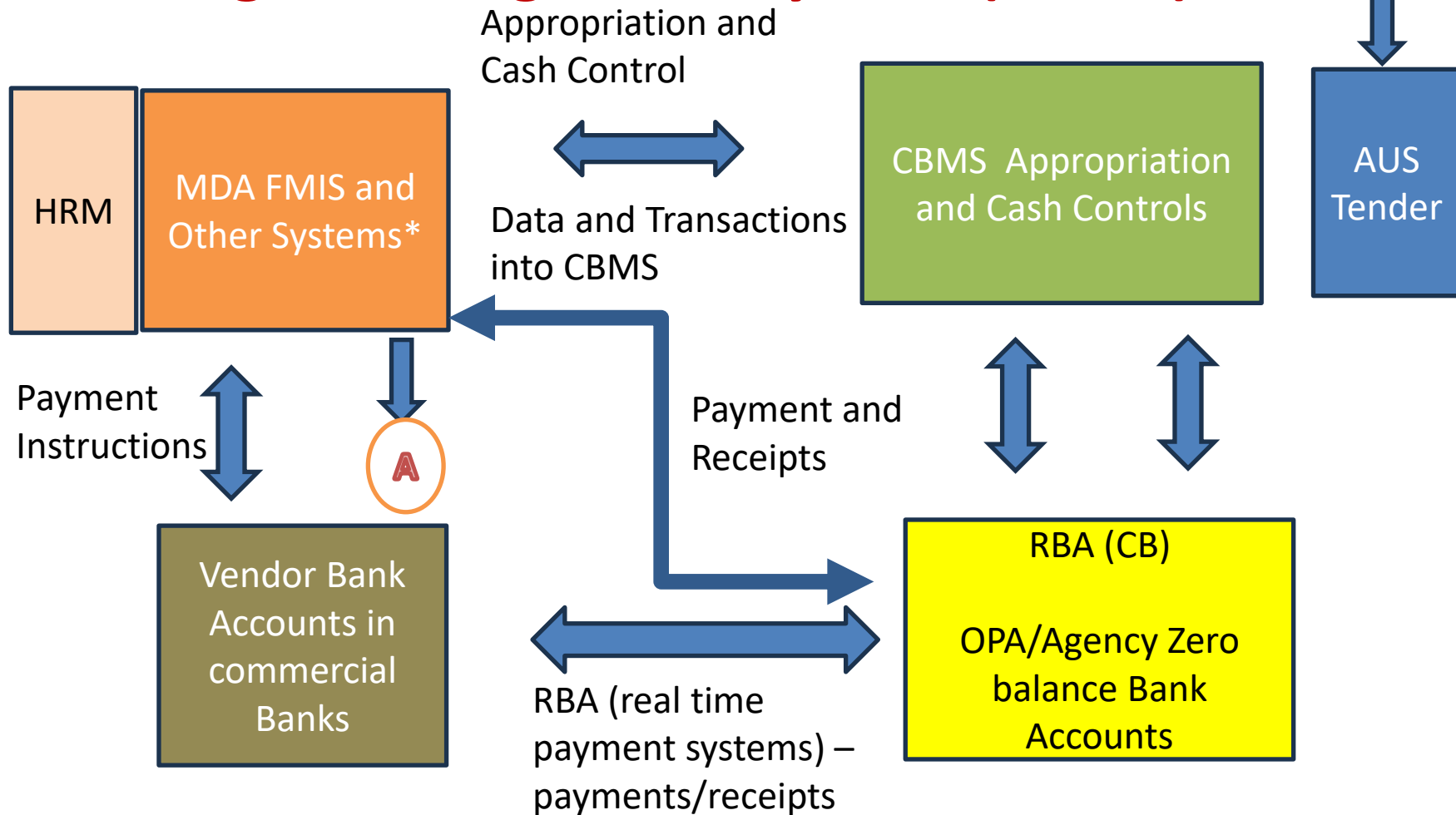
Five Generations in Australian Government PFM SYSTEMS



Background – Roles and Responsibilities in the PFM Framework

- Since at least the 1940s **PFM is highly decentralized** - decision making below budgetary appropriation control not centrally controlled, even when there was a centralized FLS
 - even manual processing into FLS - we checked signatures and correctness of entries, that is all – **no review of actual payments!**
- **Today agencies have their own FMIS, bank accounts** (zero based swept overnight to Official Public Account) and HR systems and undertake their own procurement. They even do **their own accounting and reporting including portfolio financial statements**. In practice this means DoF has policy and oversight responsibility but also produces consolidation information. During the 1990s, and the shift to accrual, DoF pulled back and gave up its GL capabilities and central cash controls – No central CoA either – this was all about new public management (a step to far in my opinion) CBMS still retains the decentralized controls but also rectified some of the issues created by the approach in AIMS. CBMS resurrected the central cash again control (approves drawdown requests), and the G/L function also restored albeit at a high level to ensure the integrity over consolidated reporting

Generation Four (and Five) – Central Budget Management System (CBMS)

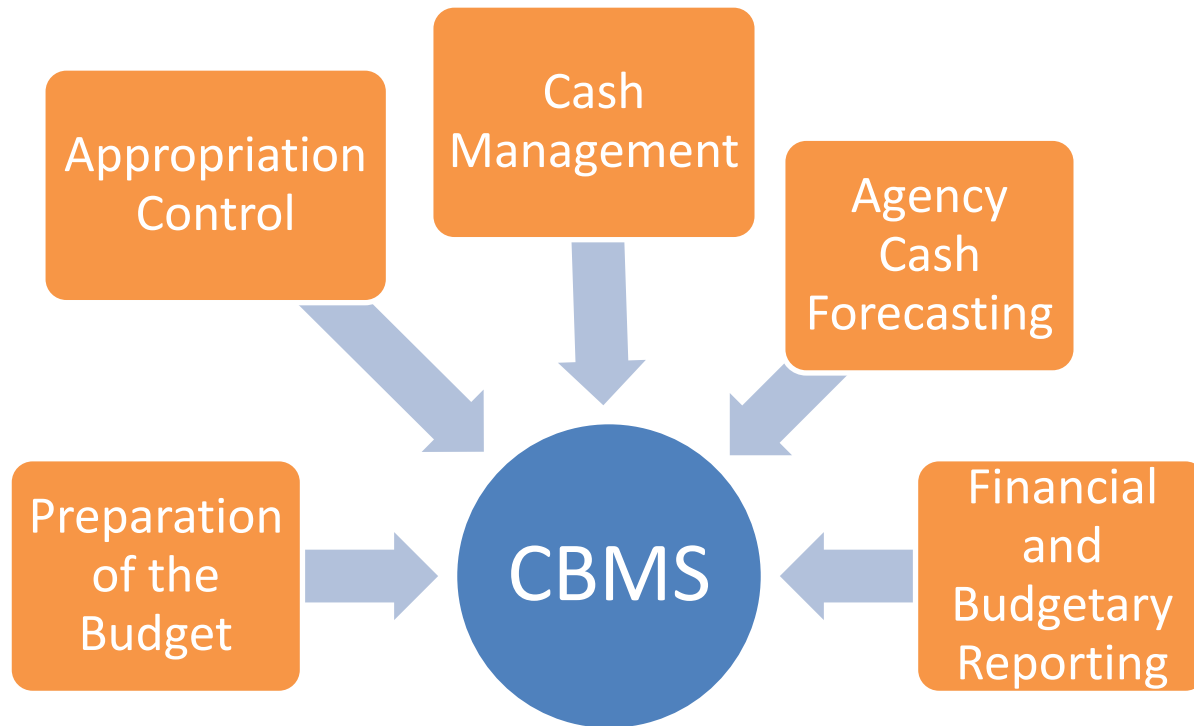


An integrated UCoA was recreated to better support consolidated reporting

* Shared services for small agencies

Central Budget Management System

- Coverage



CBMS has been designed to ensure the major functions of DoF are supported in a more integrated manner (except procurement). It also addresses the reality that all processing of transactions and decisions are fully decentralized and made in agencies but DoF must still control appropriations, cash drawdowns and accounting data submitted for consolidated reporting

Why was CBMS Upgraded?

- The new CBMS uses a **web-based interface**, eliminating less efficient manual systems
- Improved processes allow more **granular data analysis** and enhanced reporting (this was given up in the 90s but it became clear that devolution did not have to mean less information too!)
- The updated system has been linked to the New Payments Platform (NPP), enabling real-time settlement of transactions allowing **Real-Time Cash Management** eliminating slower manual cash management processes.
- CBMS2 **streamlines and automates budget processes**, including proposals, requests for money, and tracking spending.
- CBMS2 offers better integration of the Reference Data Set (RDS), which governs data entry for portfolios, agencies, outcomes, and **programs**.

The challenges in implementing a new system with these capabilities were also underestimated - the project was extended by four years and spending more than doubled compared with the original budget. Development stopped for an extended period until a full review determined that CBMS could be successful albeit with better project management and additional resources!

Budget Preparation

- **Purpose:** CBMS manages the flow of financial data between the Department of Finance and Commonwealth agencies. It ensures accurate, consistent reporting for the Budget and the Mid-Year Economic and Fiscal Outlook (MYEFO).
- Entities use CBMS2 to update estimates for new government policy decisions, economic parameter changes (e.g., Consumer Price Index, exchange rates), and/or Machinery of Government changes.
- The process involves setting budgets, managing expenditures, and integrating with agency FMIS for real-time consolidation – **it covers the entire budget cycle** albeit budgets are executed in agency FMIS not in the CBMS
- Agencies submit approved Access Request Forms for all budget changes
- extensive training is available online
- CBMS also supports capital budgeting by allowing agencies to report planned and actual expenditure
- It ensures consistency across Portfolio Budget Statements (PB statements), Portfolio Additional Estimates Statements (PAES), and corporate plans – **single source of truth!**

Appropriation Control

- CBMS manages the data for both annual appropriation Acts and special appropriations (including special accounts) – **statutory controls**
- CBMS acts as a control mechanism preventing entities from drawing down funds in excess of their legislated authority – **limits overspending but also ensure constitutional integrity** (Section 81 and 83)
- Budget adjustments, such as those arising from new policy proposals (NPPs), Advances to the Finance Minister (AFM – contingency fund), or Machinery of Government changes, are processed in CBMS to update the available appropriation
- While special appropriations are often demand-driven (statutory appropriations), CBMS records and tracks them to ensure compliance with Section 83 of the Constitution
- CBMS helps identify if a special account has a negative balance, which could indicate a breach of the appropriation limit or an administrative error

Cash Management

- CBMS manages the interaction between DoF and agencies to facilitate controls over cash and appropriations and to ensure integrity for reporting and the budget documents.
- Drawdowns – **agencies submit drawdown requests which DoF approves - cash transferred from OPA to agency accts at RBA**
- Entities use the cash management functionality in CBMS to monitor and report on the transfer of funds, particularly for managing Special Appropriations
- CBMS supports the banking of cash by agencies recording transfers to the Official Public Account (OPA/TSA), often through revenue transitory accounts
- Access to CBMS is restricted, requiring authorization from a Chief Financial Officer (CFO) and adherence to PROTECTED security standards.
- CBMS supports monthly and annual financial reporting and managing the flow of financial information to support accurate, real-time data for government and stakeholders

Cash Forecasting

- CBMS has a specific forecasting module which agencies must use to forecast daily for the month ahead and monthly for the year ahead
- The CBMS module can be used to build the forecast or a datafile can be uploaded to CBMS - these forecasts are not subject to review and approval, unlike most other inputs to CBMS
- The Forecasts are provided to the Australian Office of Financial Management (AOFM) which uses them to forecast the daily balance of the Official Public Account (OPA)
- Variations to forecasts above 10 million require separate advice—daily payments above 100m must also be separately advised to the AOFM, RBA (central bank) and OPA management team (DoF)
- AOFM is the Federal Government's debt manager. It is a separate legal entity – it reports to the Treasury Department not DoF
- AOFM uses the forecasts to manage the cash balance in the OPA and for managing the stock of debt (assets and liability management)

Financial and Operational Reporting

- Monthly and annual financial statements are prepared based on CBMS data
 - CBMS includes an extensive suite of centrally controlled J/Vs to ensure the integrity over the detailed data used for FS preparation
 - monthly financial statements are prepared for the general government on a program (aligned with AAS, IMF GFS and ABS GFS)
 - annual FSs are prepared for the public sector and GG
- Agencies can also use CBMS or their own FMIS for preparation of agency specific annual financial statements
- Operation reports cover a range of requirements
 - Appropriation management reports including balance and reconciliation reports
 - Cash management transaction reports
 - Bank balance and sweeping reports
 - Agency (cash) drawdown and receipt reports – remember payments are not made through CBMS
 - Third party agency reports
- CBMS also allows datasets to be downloaded by agencies for any user defined reporting requirements

Summary of Key Points

- Australia has a highly decentralized processing model (significant contrast to PEMPAL countries) but learnt through its mistakes that central controls and data are essential if timely and reliable consolidated reporting is to be possible
- CBMS V2 is the fifth-generation central system since the 1970s
- Each system reflected the ICT environment of that time and the requirements of the DoF – although all but AIMS also supported agency controls and reporting requirements
- CBMS covers what PEMPAL would refer to as the value added functions of a modern treasury, reporting and cash forecasting while also ensuring essential controls are in place to protect appropriation, budget and financial reporting integrity!
- COTS systems do not typically fully support these value-added roles and the traditional control roles of MoF – Thus even though a COTS system was selected, it required significant modification which resulted in cost overruns and delays.
- Countries therefore need to carefully consider the best approach for developing ICT that supports the more advanced and complex ICT environment required for modern PFM management